

ED BROWN

**DEPARTMENT
OF
DEFENSE
INVESTIGATIVE
HEARING
TRANSCRIPT**

Wednesday, June 14

<p style="text-align: center;">DEFENSE BASE CLOSURE AND REALIGNMENT COMMISSION</p> <p style="text-align: center;">OPEN MEETING</p> <p style="text-align: center;">8:30 A.M.</p> <p style="text-align: center;">1700 North Moore Street, Suite 1425 Arlington, Virginia 22209</p> <p style="text-align: center;">Wednesday, June 14, 1995</p>	<p style="text-align: right;">Page 4</p> <p style="text-align: center;">P R O C E E D I N G S</p> <p>CHAIRMAN DIXON: Good morning, ladies and gentlemen, and welcome to this hearing of the Defense Base Closure and Realignment Commission. My name is Alan J. Dixon, and I am chairman of the Commission, which is charged with recommending to the President which domestic military installations should close or be realigned.</p> <p>With us today are my fellow commissioners, Al Cornella, Rebecca Cox, J.B. Davis, S. Lee Kling, Benjamin Montoya, Joe Robles, and Wendi Steele.</p> <p>We are in the final weeks of our assignment. Final deliberations will begin June 22 here in this room. In the 15 weeks since we received Secretary Perry's list of 146 proposed closures and realignments, the Commission has conducted 12 investigative hearings in Washington -- 13 including today.</p> <p>We have also taken some 85 hours of testimony at 16 regional hearings held all around the country, including Guam and Alaska. At those hearings, we heard presentations from communities from 35 states plus Guam and Puerto Rico. Yesterday and the day before, we heard testimony from more than 200 members of Congress whose states and districts are</p>																																
<p style="text-align: right;">Page 2</p> <p>COMMISSIONERS PRESENT:</p> <p>Alan Dixon Alton M. Cornella Rebecca C. Cox J.B. Davis S. Lee Kling Benjamin Montoya Wendi Louise Steele Josue Robles</p>	<p style="text-align: right;">Page 5</p> <p>1 affected by the list.</p> <p>In addition to conducting 29 hearings, the commissioners have among them made almost 200 visits to some 75 bases on the closure list, and Commission staff has made another 75 base visits to gather additional information.</p> <p>As everyone in this room probably knows, on May 10, the Commission voted to add 35 bases to the list for consideration for closure or further realignment. In the 9 months since then, we have visited all those installations and conducted regional hearings at which the affected communities were heard.</p> <p>Today, we have asked Department of Defense officials to come here, in part, to state their positions regarding the bases we added to the Secretary's list. However, we will be glad to hear from the Department regarding any base on the list, and we will ask some questions ourselves about some of the installations on the March 1 list based on what we have learned at our base visits and regional hearings.</p> <p>We will hear from the three military departments in three separate panels and then conclude with a panel of witnesses from the Office of the Secretary of Defense. We</p>																																
<p style="text-align: right;">Page 3</p> <p style="text-align: center;">C O N T E N T S</p> <table border="0"> <thead> <tr> <th style="text-align: left;">PRESENTATION OF:</th> <th style="text-align: right;">PAGE</th> </tr> </thead> <tbody> <tr> <td>Secretary Togo D. West, Jr.</td> <td style="text-align: right;">7</td> </tr> <tr> <td>General Gordon R. Sullivan</td> <td style="text-align: right;">10</td> </tr> <tr> <td>Assistant Secretary Mike Walker</td> <td style="text-align: right;">22</td> </tr> <tr> <td>Brigadier General James Shane</td> <td style="text-align: right;">22</td> </tr> <tr> <td>Major General John R. D'Araujo</td> <td style="text-align: right;">70</td> </tr> <tr> <td>Secretary Sheila K. Midnall</td> <td style="text-align: right;">96</td> </tr> <tr> <td>General Ronald R. Fogelman</td> <td style="text-align: right;">105</td> </tr> <tr> <td>Major General Jay D. Blume</td> <td style="text-align: right;">134</td> </tr> <tr> <td>James Boatright</td> <td style="text-align: right;">137</td> </tr> <tr> <td>Secretary John B. Dalton</td> <td style="text-align: right;">191</td> </tr> <tr> <td>General Carl R. Mundy, Jr.</td> <td style="text-align: right;">205</td> </tr> <tr> <td>Admiral J.M. Boorda</td> <td style="text-align: right;">211</td> </tr> <tr> <td>Assistant Secretary Robert B. Pirie</td> <td style="text-align: right;">210</td> </tr> <tr> <td>Secretary Joshua Gothaum</td> <td style="text-align: right;">260</td> </tr> <tr> <td>Deputy Assistant Secretary Robert R. Moyer</td> <td style="text-align: right;">277</td> </tr> </tbody> </table>	PRESENTATION OF:	PAGE	Secretary Togo D. West, Jr.	7	General Gordon R. Sullivan	10	Assistant Secretary Mike Walker	22	Brigadier General James Shane	22	Major General John R. D'Araujo	70	Secretary Sheila K. Midnall	96	General Ronald R. Fogelman	105	Major General Jay D. Blume	134	James Boatright	137	Secretary John B. Dalton	191	General Carl R. Mundy, Jr.	205	Admiral J.M. Boorda	211	Assistant Secretary Robert B. Pirie	210	Secretary Joshua Gothaum	260	Deputy Assistant Secretary Robert R. Moyer	277	<p style="text-align: right;">Page 6</p> <p>I will begin with the Army from now until 10:00 a.m. We will hear from the Air Force from 10:15 to 11:45 a.m. and then break for lunch until 1:00 p.m.</p> <p>From 1:00 to 2:30, we will hear from the Navy and then from 2:30 to 3:30, we will hear from the representatives of the Secretary of Defense and the Defense Logistics Agency. We are fortunate to have with us a distinguished group of witnesses from the Office of the Secretary of the Army.</p> <p>Secretary of the Army Togo D. West, Jr., will be with us today. We also have Chief of Staff of the Army General Gordon R. Sullivan; the Honorable Mike Walker, Assistant Secretary for Installations, Logistics and Environment; Brigadier General James Shane, Director of Management in the Office of the Chief of Staff; and Major General John D'Araujo, Jr., Director, Army National Guard.</p> <p>As always, I must remind you that the Base Closure Law requires me to swear in witnesses before they testify before the Commission. If the Army representatives will please stand and raise their right hands, I will now administer the oath.</p> <p>(Witnesses sworn.)</p> <p>CHAIRMAN DIXON: General Sullivan, I understand</p>
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<p>Page 7</p> <p>1 that you'll retire from the Army in just six days. On behalf 2 of the Commission and the country, I want to thank you for 3 pending time with us during your last week on active duty. 4 We congratulate you, sir, and we honor you for your 5 outstanding career service to the nation and the Army over 6 the past 36 years. Thank you, sir.</p> <p>7 GENERAL SULLIVAN: Thank you, sir.</p> <p>8 CHAIRMAN DIXON: Secretary West, we are delighted 9 and honored to welcome you back.</p> <p>10 SECRETARY WEST: Thank you, sir.</p> <p>11 CHAIRMAN DIXON: And you may proceed at your 12 leisure.</p> <p>13 SECRETARY WEST: Thank you, Mr. Chairman. Good 14 morning. This is a great day to be part of the Department of 15 the Army. This is the Army's 220th birthday.</p> <p>16 CHAIRMAN DIXON: Happy birthday.</p> <p>17 SECRETARY WEST: And so if I might, I would like to 18 join you in your tribute to General Sullivan as the 19 representative of the men and women in uniform of the Army, 20 all of those who have participated in the security of this 21 nation over its history.</p> <p>22 CHAIRMAN DIXON: Amen, my friend. Amen.</p>	<p>Page 10</p> <p>1 assesses Tobyhanna as the number one Army depot.</p> <p>2 With respect to Letterkenny, DOD's proposal to 3 realign Letterkenny preserves DOD's missile consolidation 4 effort, achieves substantial savings for a reasonable 5 investment, and reduces the overcapacity in ground equipment 6 maintenance in the depot system.</p> <p>7 Alternatives to move tactical missile maintenance 8 to Hill Air Force Base, in the Army's view, would incur costs 9 anywhere from four to nine times greater and produce 10 significantly less in the way of savings. Extensive facility 11 upgrades would be necessary to support tactical missile 12 maintenance at Hill Air Force Base. For that reason, we do 13 not recommend this as a more feasible or desirable 14 alternative to the recommendation you have from DOD and the 15 Army.</p> <p>16 With respect to the space and strategic defense 17 command, the Army has made a concerted effort to move out of 18 leased space when it is cost-effective to do so. Our 19 analysis shows that moving space and strategic defense 20 command to a nearby installation would have significant costs 21 and take over 30 years to pay off.</p> <p>22 It would disrupt preexisting plans to move SSDC</p>
<p>Page 8</p> <p>1 SECRETARY WEST: Mr. Chairman, members of the 2 Commission, we appreciate this second opportunity to discuss 3 with you your alternatives for closure to our 4 recommendations. We hope our comments will be helpful to you 5 in your deliberations.</p> <p>6 Obviously, these have been painstakingly developed 7 by us, as has the analysis of yourself and your staffs. Our 8 decisions were not arrived at easily, nor were they made in 9 haste. They build upon the work of three previous 10 Commissions and leave us with the infrastructure needed to 11 keep our Army trained and ready into the 21st century.</p> <p>12 We recognize, of course, your duty to review these 13 painstakingly and to consider changes to the list. We hope 14 that we can offer you information that will assist you in 15 that way.</p> <p>16 If I may turn to the proposed additions that affect 17 the Army to your list. Other than Fort Halibard, Maryland, 18 the Army does not offer a support to you for adding any other 19 installations to the original list. After the DIS does 20 depart from Fort Halibard, we have no further use for the 21 property.</p> <p>22 With respect to the other alternatives recommended,</p>	<p>Page 11</p> <p>1 along with the program executive office missile defense onto 2 Red Stone Arsenal at a later date. A decision, then, to 3 relocate space and strategic defense command from leased 4 space would be a poor substitute for terminating the lease 5 and disestablishing and redistributing the assets of the 6 aviation and troop support command.</p> <p>7 If we are not able to execute this plan as 8 recommended, Mr. Chairman and members of the Commission, the 9 Army will forfeit substantial savings from reductions in both 10 management and facility overhead. And we would, of course, 11 forego the operational advantages of aligning those functions 12 that are related in research and development centers at other 13 locations.</p> <p>14 Making these changes, in summary, the above four 15 changes, to the original list proposed by DOD on behalf of 16 the Army would cost approximately \$200 million more, would 17 save up to \$45 million less than had been recommended in our 18 original list and, of course, would provide a greater 19 operational risk to the Army.</p> <p>20 Investing in alternative BRAC recommendations that 21 produce fewer savings would be at the expense of Army 22 readiness and of Army plans for force modernization. On this</p>
<p>Page 9</p> <p>1 we have some views. Oakland Army Base. We studied the 2 feasibility of closing the ports at both Bear and Oakland. 3 We concluded that the loss of Oakland represents for the Army 4 an operational risk that we would rather not have to accept. 5 We need this critical port facility to support the rapid 6 deployment of equipment during peace and war.</p> <p>7 We need it for the deployment of our CONUS-based 8 forces to respond to any national security threats that could 9 emerge in the Pacific region. In our view, its closure would 10 leave us without a port facility on the West Coast, and the 11 financial savings simply do not justify that risk.</p> <p>12 With respect to Tobyhanna, the Army has made the 13 hard choices to divest itself of excess depot capacity, 14 maintenance capacity, and consolidate workload from five to 15 three depots, ground, air, and communications electronics. 16 DOD's recommendations, which are ours, as well, on 17 Letterkenny and Red River provide the optimum savings while 18 supporting our corps wartime requirements.</p> <p>19 They have earned the support of the SEC DEF's 20 cross-service group. Tobyhanna's our center of excellence 21 for communications and electronics. Closing it, we believe, 22 could directly contradict the Army's own military value which</p>	<p>Page 12</p> <p>1 score, then, on these proposed additions, we urge you to 2 weigh this assessment carefully, the assessment that the Army 3 has offered you.</p> <p>4 We would hope, Mr. Chairman and members of the 5 Commission, you will agree with us that these changes ought 6 not be pursued.</p> <p>7 One word about our original recommendations. 8 You've made extensive visits, you and your staffs, to our 9 installations over the past few months to observe their 10 operations and listen to the sincere voices of communities 11 and elected representatives. We in the Army have been 12 listening, too.</p> <p>13 Their convictions, their fervent opposition have 14 our admiration. It is moving to witness the pride our 15 friends have and our neighbors in the Army and the 16 installations that serve them. Even so, Mr. Chairman, with 17 little exception, we are unaware of compelling arguments that 18 would cause us to change our initial military judgements.</p> <p>19 We have in some occasions in some instances learned 20 new information that makes one realignment and two closures 21 no longer viable in our view. We have provided our 22 recommendations to the Office of the Secretary of Defense,</p>

<p style="text-align: right;">Page 13</p> <p>1 and we mention them now.</p> <p>2 Dugway Proving Ground. The crux of our</p> <p>3 recommendation to close Dugway centered on the relocation of</p> <p>4 the chemical biological testing elements to Aberdeen Proving</p> <p>5 Ground and smoke obscuration testing elements to Yuma Proving</p> <p>6 Ground permit restrictions, preclude conducting testing at</p> <p>7 these two sites, thereby obviating the relocation of those</p> <p>8 testing elements.</p> <p>9 Efforts to transfer the English Village, the</p> <p>10 housing area, to the Utah National Guard had been underway</p> <p>11 prior to the development of our BRAC list and would,</p> <p>12 therefore, require no action by the Commission to effect that</p> <p>13 disposal.</p> <p>14 Craven Point, New Jersey, U.S. Army Reserve Center.</p> <p>15 The Army has recommended closing and relocating this facility</p> <p>16 to Fort Hamilton, New York. While we were planning for this</p> <p>17 implementation, we discovered that new construction,</p> <p>18 approximately \$10.5 million worth, is required to execute the</p> <p>19 move.</p> <p>20 The minor savings, Mr. Chairman and members of the</p> <p>21 Commission, about \$137,000 annually, simply does not justify</p> <p>22 this expense. Moreover, the new facility would require a</p>	<p style="text-align: right;">Page 16</p> <p>1 that they include probably the following issues that I will</p> <p>2 just touch briefly: Leased facilities. The Army has</p> <p>3 performed a military value analysis on leased facilities and</p> <p>4 has concluded, essentially, that by and large, they have had</p> <p>5 low military value in the instances in which we made</p> <p>6 recommendations.</p> <p>7 We have provided a detailed description of our</p> <p>8 assessment regarding the leased facility that houses aviation</p> <p>9 and troop support command in a letter to you and the</p> <p>10 Commission on April 14, 1995. Our conclusion, then, that</p> <p>11 this lease facility had low military value, coupled with the</p> <p>12 resulting financial savings and operational advantages,</p> <p>13 formed the basis for our original recommendation.</p> <p>14 Depots. The Army's recommendation to close Red</p> <p>15 River Depot and realign Letterkenny eliminates excess</p> <p>16 capacity and achieves significant savings. A single ground</p> <p>17 combat depot, Anniston, will support our peacetime</p> <p>18 requirements. It will meet our surge requirements in the</p> <p>19 event there are two major regional contingencies.</p> <p>20 Family housing. Divestiture of family housing</p> <p>21 quarters reduces burdensome maintenance and repair costs</p> <p>22 where we have made those decisions and is a major part of the</p>
<p style="text-align: right;">Page 14</p> <p>1 larger area than is available for construction at Fort</p> <p>2 Hamilton.</p> <p>3 Valley Grove, West Virginia, area maintenance</p> <p>4 support activity. The Army recommended closing and</p> <p>5 relocating this facility to Kelly Support Center in</p> <p>6 Pennsylvania. We have since learned that Congress added a</p> <p>7 construction project, about \$6.8 million in value, to build a</p> <p>8 new maintenance shop at the Wheeling, Ohio, County Airport.</p> <p>9 This project is now underway and thus obviates the need for</p> <p>10 us to move to a new facility at Kelly Support Center.</p> <p>11 A word about additional information that would</p> <p>12 adjust in a minor way other of our recommendations. At</p> <p>13 Fitzsimons, we recommended closing this facility, Fitzsimons</p> <p>14 Medical Center in Colorado, and relocating its optical school</p> <p>15 and associated laboratory to Fort Sam Houston. We have</p> <p>16 learned in the Army that the Assistant Secretary of Defense</p> <p>17 Health Affairs is evaluating more cost-effective alternatives</p> <p>18 to relocate that school, the optical school, elsewhere.</p> <p>19 We would suggest that modifying the language of the</p> <p>20 recommendation so it does not specify a precise location for</p> <p>21 the optical school might help us as the Assistant Secretary</p> <p>22 goes about his work.</p>	<p style="text-align: right;">Page 17</p> <p>1 Army's overall housing strategy. The Army is closing housing</p> <p>2 areas that support small garrisons and small headquarters</p> <p>3 units and is keeping those that support major troop</p> <p>4 concentrations.</p> <p>5 It is a business judgement and an effort to do this</p> <p>6 in a businesslike way. And thus, for us in the Army, the</p> <p>7 challenge is to balance overall quality of life for our</p> <p>8 soldiers against readiness and modernization of the U.S.</p> <p>9 Army, hopefully achieving the maximum in all three of those</p> <p>10 areas.</p> <p>11 At Fort McClellan, we have furnished the</p> <p>12 environmental permits for Fort Leonard Wood in support of the</p> <p>13 training missions transferring from Fort McClellan. We are</p> <p>14 now confident that we can make the change, that we can</p> <p>15 accomplish the smoke training mission while at the same time</p> <p>16 exercising good environmental stewardship.</p> <p>17 Mr. Chairman, members of the Commission, you've</p> <p>18 been patient with me as I've gone through these. I wanted at</p> <p>19 the outset, if I could, to try to put on the table as many of</p> <p>20 what we think are the issues as possible as you prepare to</p> <p>21 question us. Thank you for your patience, thank you for your</p> <p>22 time, and it's good to be back before you again.</p>
<p style="text-align: right;">Page 15</p> <p>1 The Sierra Army Depot in California. The Army has</p> <p>2 recommended realigning the facility, eliminating the</p> <p>3 conventional ammunition mission, and retaining an enclave for</p> <p>4 operational project stocks. We have learned that we simply</p> <p>5 cannot get the demilitarization done of all the ammunition by</p> <p>6 2001. And this necessitates the retention of some storage at</p> <p>7 that location.</p> <p>8 With respect to the Bayonne Military Ocean</p> <p>9 Terminal, the Army has recommended closing this facility,</p> <p>10 relocating the Eastern Area Command Headquarters and 1301st</p> <p>11 Major Port Command to Fort Monmouth and retaining and enclave</p> <p>12 for Navy tenants.</p> <p>13 The Army Military Traffic Management Command is</p> <p>14 considering an internal reorganization which could result in</p> <p>15 the merger of their commands at another Eastern installation</p> <p>16 beside Fort Monmouth. And the Navy has indicated a</p> <p>17 preference for moving its activities. Therefore, if the</p> <p>18 Commission were to modify the language of our recommendation</p> <p>19 so it does not specify the particular gaining location or</p> <p>20 retention of an enclave, then that would be helpful.</p> <p>21 We know you have some questions, lots of questions,</p> <p>22 for the Army in a number of areas of our recommendation and</p>	<p style="text-align: right;">Page 18</p> <p>1 CHAIRMAN DIXON: Well, we thank you. Your</p> <p>2 statement is very useful and very specific, and that's very</p> <p>3 helpful to the Commission.</p> <p>4 General Sullivan, I regret that this is the last</p> <p>5 time I'll have the pleasure of listening to you testify. But</p> <p>6 again, I thank you for your great service to this nation.</p> <p>7 General Sullivan.</p> <p>8 GENERAL SULLIVAN: Thanks, Mr. Chairman. I</p> <p>9 appreciate very much your remarks, and it's good to be back</p> <p>10 here again.</p> <p>11 As the Secretary noted, today's the Army's 220th</p> <p>12 birthday. And needless to say, I am very proud to be the</p> <p>13 Chief of Staff of the United States Army. I have been, and I</p> <p>14 am particularly proud today to represent the men and women of</p> <p>15 America's Army, active Guard and Reserve.</p> <p>16 I would note that I completely agree with the</p> <p>17 Secretary of the Army's remarks, and I would just like to add</p> <p>18 some comments of my own. First of all, we are counting on</p> <p>19 the savings from the original recommendations that we made.</p> <p>20 We are, as you all know -- certainly everybody in the room</p> <p>21 knows -- we're spending a historically low amount on the</p> <p>22 Army, and I must get every bit of leverage I can out of the</p>

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1 dollars we are given to keep the Army trained and ready.
 2 As the Secretary pointed out, readiness, force
 3 structure, quality of life for our soldiers, and, of course,
 4 modernization. Since 1989, we have lost about 40 cents on
 5 every dollar that we had programmed to keep this organization
 6 trained and ready and modernized. Missions have gone up 300
 7 percent. So this has been a very challenging period for us.
 8 And this BRAC submission is very important to us.
 9 I don't see much value in alternative options,
 10 although as the Secretary pointed out, there are some minor
 11 adjustments which should be made. But frankly, some of the
 12 alternatives would cost the Army more and save us less. And
 13 in this kind of an environment, I can't afford that.
 14 I would reinforce what Secretary West said about
 15 Oakland Army Terminal. Oakland Army Terminal is important
 16 for us on the West Coast. It provides us a port facility to
 17 project power into the Pacific. Tobyhanna is the number one
 18 depot in terms of military value. It is important to the
 19 United States Army, and I want to reinforce that.
 20 Now, I realize that there are very difficult and
 21 important decisions involving maintenance depots. What we
 22 are trying to do is rely on a single ground combat vehicle

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1 depot. And I think we can do what we have to do with one
 2 depot. We go from three to one.
 3 Closing Red River and realigning Letterkenny to
 4 Tobyhanna and Anniston, as we recommended, account for about
 5 a third of the savings that we're counting on. So that is an
 6 important adjustment for us.
 7 If we had to do some of the alternatives, frankly,
 8 it would keep me from realizing -- keep us, the Department of
 9 the Army, from realizing annual savings, which are very
 10 significant and very important. And, as the Secretary
 11 pointed out, shifting missile work from Letterkenny in
 12 Pennsylvania to Hill Air Force Base is going to cost a
 13 considerable amount of money, at least -- at least -- three
 14 times more than our recommendation. And, frankly, I can't
 15 afford it.
 16 We have made some tough choices here, and we are,
 17 in fact, taking what I feel is justified risk. And we have
 18 to manage risk during periods like this. Losing 40 cents on
 19 every dollar and seeing your missions go up 300 percent is
 20 pretty significant. And this submission is very important to
 21 us.
 22 Let me just close by saying, number one, I

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1 appreciate what it is that you all have been through. As the
 2 Secretary said, we appreciate the fact that you have traveled
 3 around and looked at us. I think you will see merit in our
 4 submission to you. And since this is the last BRAC, at least
 5 as far as I can see, I really ask for your support in our
 6 submission.
 7 The object of the exercise was to save money, get a
 8 good return on investment. I think what you have is a good
 9 business program here, a good business approach to the
 10 future. There is some risk in it, but I think the risk is
 11 manageable, and I think it's acceptable.
 12 And it's a risk which I believe is prudent that we
 13 must take to keep the United States Army trained and ready so
 14 that we can do what it is you ask us to do, fight and win
 15 your wars and serve the United States of America, which we
 16 have done proudly for 220 years, and I have every reason to
 17 expect we'll do for as long as there is a Republic. Thanks.
 18 CHAIRMAN DIXON: Thank you for that very excellent
 19 presentation, General Sullivan. We are indebted to you.
 20 We're delighted to have Robert Walker, the
 21 Assistant Secretary of the Army for Installations, Logistics,
 22 Environment.

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1 SECRETARY WALKER: Thank you, Mr. Chairman.
 2 CHAIRMAN DIXON: Mr. Secretary, it's good to see
 3 you.
 4 SECRETARY WALKER: Thank you. Good to see you.
 5 Mr. Chairman, I have nothing to add. I join General Sullivan
 6 in endorsing Secretary West's remarks. And I want to join
 7 them, also, in thanking you for your service to the nation.
 8 You've taken on a tremendous job, and we thank you for doing
 9 that. Thank you.
 10 CHAIRMAN DIXON: I thank you, Secretary Walker.
 11 Brigadier General James E. Shane, Jr., director of
 12 management, Office of the Chief of Staff. General Shane, do
 13 you have anything to say at this time?
 14 GENERAL SHANE: Mr. Chairman, I have one thing to
 15 say. I would like on behalf of my staff to tell you your
 16 staff has accepted the challenge. They have put it through
 17 rigorous changes. And we appreciate that, working with them.
 18 And we think the end product will be the best for our
 19 country. And it has been a pleasure serving the country in
 20 this capacity and the Army.
 21 CHAIRMAN DIXON: Thank you very much, general. And
 22 if you are all willing, we will now begin a questioning

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1 period, with the distinguished commissioner to my left,
 2 Commissioner Steele.
 3 MADAME COMMISSIONER STEELE: Good morning. Thank
 4 you for addressing so many of these issues up front. As you
 5 can imagine, we still have a pile of questions for you. But
 6 I appreciate you at least getting out some of the answers
 7 right at the beginning here.
 8 And also, thank you and the service in general for
 9 your help along our journeys. I've visited many of your
 10 installations, and everybody truly has gone out of their way
 11 to address our many questions and to be extremely helpful.
 12 So thank you for that.
 13 Let's just start with Red River, one depot. In
 14 your opening statement, Mr. Secretary, you mentioned that you
 15 feel the Army is retaining core wartime requirements.
 16 However, in your forecasts, there will be a 46 percent
 17 shortfall in wartime requirements if you do all the work in
 18 Anniston.
 19 Our staff says that would require Anniston to
 20 operate two eight-hour shifts seven days a week to support
 21 those requirements.
 22 I would like you to address both how you feel you

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1 can meet that and accept that risk and also just the fact
 2 that there could be a natural disaster or a man-made disaster
 3 and how the Army or the Department really could afford to put
 4 all its eggs in one basket in this case, even if it is --
 5 what did you say, a third of your savings? I'm very
 6 concerned about that.
 7 SECRETARY WEST: Commissioner Steele, you raise
 8 what is always for us a tough point, and that is the question
 9 of when we decide to reduce, perhaps even to eliminate, what
 10 may be duplicative or maybe even triplicative capabilities,
 11 whether we are reducing to the point where we leave ourselves
 12 open and vulnerable to surge requirements that we can't do
 13 with what we have left.
 14 And I think that's what we have tried to address.
 15 Red River, Anniston, Letterkenny, all with a ground vehicle
 16 maintenance capacity, leave us with more than we need to do
 17 right now. And the question is, how when we shift around
 18 these activities we can ensure both that we are as low as we
 19 need to be to be efficient but still as robust as we need to
 20 be to meet the surge.
 21 The first answer, incidentally, about this is, we
 22 simply can't afford to keep going on as we do. We simply

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1 cannot fund these. We believe that we can meet the surge
2 requirement as needed. Those are the reasons we do these
3 COBRA analyses, the reason we make these military value
4 assessments.
5 If you need a specific answer to the suggestion
6 that in order to meet a surge, we would have to work -- as
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18 And their alignment tank facility also could do some.
19 I think it's an acceptable risk. We don't have the
20 dollars to keep it open. That's an insurance policy that I
21 don't think we need to pay.
22 MADAME COMMISSIONER STEELE: I'm glad to hear both

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1 of you are at a level of comfort. I must admit, I'm not
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6 views on it. We're taking a risk, and I understand that.
7 And my name is on the line on it. And I don't say it
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16 obligations if the realignment with that change is accepted?
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18 one second on that issue. My staff has informed me, number
19 one, which I knew, was the treaty had not been ratified. But
20 more importantly, there are other locations at which that
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22 spillover capability, Commissioner Steele.

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1 MADAME COMMISSIONER STEELE: All right. Sierra's
2 demil capability is 22 percent of all of the ammunition demil
3 capability and 43 percent of the open demil capability. I
4 also understand that there's a pending 10-year permit for
5 doing all that open detonation in California.
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7 need to be demilled, if we're already changing the
8 recommendation on Sierra, would it not make sense to keep the
9 installation open to allow the Department the flexibility to
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11 with your folks out there blowing up things in all 14 of them
12 the day I was visiting.
13 SECRETARY WEST: I don't think we need them. Our
14 problem with places like Sierra is that we can make an
15 argument for keeping almost everything we have on our list.
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17 universal opinion it should go. We are making hard decisions
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19 And I would say to you, yes, it probably wouldn't
20 hurt. But the fact is, we don't need them. And what we do
21 need is the savings we can get from these closures to fund
22 the things we absolutely do need.

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1 So I won't deny that it wouldn't be harmful to have
2 that capability that you mentioned, but if you ask the
3 professional judgement of my staff officers who have worked
4 the COBRA analysis, who have worked the back process, the
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6 MADAME COMMISSIONER STEELE: I'm not sure we have
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15 We will come to you for permission to retain only the bare
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1 by half on the amount of personnel that would need to stay.
2 So the savings had already dramatically decreased. And we
3 were talking about a very limited number of personnel to be
4 able to retain that capability for the Department.
5 SECRETARY WALKER: Commissioner, if I could add,
6 our original savings was 29 million. Our current savings is
7 28 million annually. So we have revised them, and that's the
8 latest estimate that we have.
9 MADAME COMMISSIONER STEELE: Thank you.
10 Mr. Chairman, I defer the rest of my time.
11 CHAIRMAN DIXON: I thank the distinguished
12 commissioner for her line of questioning. I would want to
13 observe before I recognize the next commissioner that I think
14 we're all here with a complete understanding of why we're
15 here. We would all like to have more.
16 I was chairman of Readiness in the Senate Armed
17 Services Committee, and you know my record when I was in that
18 place. And they have reduced the appropriations and
19 authorized amounts 40 percent; in the force level, 30
20 percent. And if we did everything on this list, we would
21 reduce your excess capacity by 21 percent.
22 And they did the budget resolution week before

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1 last. And our friends, Senator Thurmond and Nunn, speaking
2 for, I think, the two most powerful positions in either party
3 in the United States Senate, gave the Senate an opportunity
4 to increase the authorized and appropriated amounts, and the
5 Senate rejected it 60 to 40. I think the message is pretty
6 clear. It isn't there. And that's why we're here.
7 Commissioner Robles.
8 COMMISSIONER ROBLES: Thank you, Mr. Chairman. I'm
9 going to follow up on the depot question, because it is
10 clearly the most pervasive issue we're dealing with in this
11 particular round, in my personal judgement.
12 And just to set the record straight, we're not
13 challenging your assertions. All we're telling you is,
14 there's inconsistency between the services, and we're trying
15 to figure out what the right level is.
16 So having said that as a backdrop -- and I
17 understand risks, General Sullivan. I work in my civilian
18 job in the risk business. I'm in the business of financial
19 risk and operational risk, also. And I do the risk
20 assessments. And so I'll ask the question in this way.
21 As you know, we have put Letterkenny down as a
22 possible closure. Just assume that Letterkenny was closed.

June 14, 1995

Base Realignment & Closure

<p style="text-align: right;">Page 31</p> <p>1 So now, you are down to one ground depot, one air depot, and 2 one communications and electronic depot. And I just have to 3 say that in the civilian world, you don't put all your 4 computing power or all your capacity power at one location. 5 You try to find what they call a contingency offset. 6 And I know there are some analogs, but in the 7 ground combat vehicle world, there are not many analogs in 8 the civilian world. There are in the communication and 9 electronic world, there are in the aviation and maintenance 10 world, but they're not allowed in the combat vehicle world. 11 And so I worry about natural disasters, explosions, other 12 things that could occur. 13 And I understand you lost 40 cents on the dollar. 14 I know that as well as anybody, and that you think the risk 15 is acceptable. But I'm not sure that we think the risk is 16 acceptable. So have you really run some scenarios what would 17 happen if you were down to just those three depots with no 18 other depot as a backup and had to do a natural disaster 19 excursion or an explosion excursion and what that would do to 20 your future readiness? 21 SECRETARY WEST: Do you mean an explosion that took 22 out one of our depots? Is that what you mean?</p>	<p style="text-align: right;">Page 34</p> <p>1 as the Chief Staff of the Army has pointed out, we just had 2 almost 50 percent excess capacity, two depots' worth. 3 And, as you tackle that and you present these 4 scenarios -- and you presented one as a natural disaster. So 5 now, you've got a situation which impacts on the national 6 security of this country. 7 So naturally, Department of Defense is going to 8 rally to that and the Marine Corps and LIMA facilities. And 9 our private sector would rally to it. And I think the 10 resource is out there to accommodate that unpredictable risk 11 that you pose to us. 12 COMMISSIONER ROBLES: Good. I just want to make 13 sure we're on the record here, because this will give us the 14 baseline for other service discussions about this particular 15 issue, which is, very candidly, not uniform across the 16 services. 17 GENERAL SULLIVAN: You know that in the last big 18 war, we did a lot of that maintenance in Japan. We did a lot 19 of maintenance of some of those vehicles, track vehicles in 20 Japan, as you know. 21 SECRETARY WALKER: Commissioner, may I just add, at 22 the early stage of development of the proposal, we were</p>
<p style="text-align: right;">Page 32</p> <p>1 COMMISSIONER ROBLES: Yes. You had a tornado, a 2 hurricane. You had an explosion, a fire. That is not 3 unheard of. Tinker had a fire not too long ago. And if that 4 did it to one of your depots and you had no backup -- let's 5 say Letterkenny was gone -- do you still feel as comfortable 6 as you said before on your risk? 7 SECRETARY WEST: Well, I hesitate to answer too 8 quickly here, commissioner, because quite frankly, one of the 9 first things that occurs to me is, there are just some risks 10 that we can keep on trying to guard against, and we will just 11 run out of money to guard against them. 12 You're right that there's less risk that there will 13 be three explosions to take out three ground depots than that 14 there is one that will take out one. But it strikes me that 15 trying to do that particular analysis, the "what if," may not 16 really help us in what we're trying to provide for you. 17 I understand your point is that it will help in 18 what you're trying to do, and I'll see what my colleagues say 19 about that. But for me, at the outset, the risk that by 20 going from three at this point clearly redundant ground 21 depots to one, essentially, will leave us somehow unable to 22 do what we need to do in an emergency is one that my</p>	<p style="text-align: right;">Page 35</p> <p>1 asking the same kinds of questions that you are asking. We 2 went to our war fighters. We went to the deputy Chief of 3 Staff for operations. 4 And we said, "What is your view on this?" And his 5 view -- the people who have ultimate responsibility for 6 providing Army equipment for the war fight said it was an 7 acceptable risk. And that was the basis of our 8 recommendation. 9 COMMISSIONER ROBLES: Okay. I just want to make 10 sure we're all on the same sheet of music as we go through 11 this very tough issue with the rest of the services. 12 SECRETARY WEST: I would like to add one more word. 13 164x1662Y And I know you want to move on. I think, frankly, 14 analysis tells us that the Department of Defense is bleeding 15 depot money. We are just spending money on capacity that we 16 simply do not need now. 17 If we have to make our contribution from the 18 Department of the Army point of view, it is clear what it is 19 we need to retain. And that is, perhaps, the most important 20 thing to us, the way in which we have retained the ones -- 21 Tobyhanna to do its mission, consolidating our ground vehicle 22 maintenance at one depot.</p>
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2 requirement as needed. Those are the reasons we do these
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asking the same kinds of questions that you are asking. We went to our war fighters. We went to the deputy Chief of Staff for operations.

And we said, "What is your view on this?" And his view -- the people who have ultimate responsibility for providing Army equipment for the war fight said it was an acceptable risk. And that was the basis of our recommendation.

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We know what we need, and that is the key thing.

But we simply cannot continue to keep open capacity that we are not presently using. And yes, we do have to do some thinking about what we do in a crisis. And we think we have done that.

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1 issue.
 2 The second issue is that there will be a
 3 degradation of the smoke training mission, mobile spoke
 4 specifically, because the permits they have don't let you do
 5 use fog oil to do some of the smoke training that's required.
 6 And the third issue and probably the one that got
 7 my attention the most is that there is a belief by the
 8 Military Police Corps and the Chemical Corps that they're
 9 going to become second-class citizens when they move to Fort
 10 Leonard Wood, that they have spent 20 years building up the
 11 infrastructure and getting the facilities required to have a
 12 quality MP force, which are always the first to deploy, as
 13 all of us know, and the Chemical Corps that sort of bounced
 14 around for several years looking for a home -- and now, we're
 15 going to move them to Fort Leonard Wood, and they will become
 16 second-class citizens and take a step down and that mission
 17 will be subsumed.
 18 Those are the three issues, as candidly and as
 19 clearly as I understand them. So would you please address
 20 them?
 21 SECRETARY WEST: Let me start there, since I was so
 22 directly involved in those decisions. Let's take the last

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1 reinforce that, and then I'll get to the other one. To the
 2 best of my knowledge, we have the permits that we need.
 3 I understand that because Missouri is a regulated
 4 state regarding some of the environmental aspects of smoke,
 5 that their permit is a little bit less open than Alabama, but
 6 I believe we can get to the level of training we need with
 7 the permits as I understand them, now. You know, as I have
 8 seen them to this date. Now, certainly --
 9 CHAIRMAN DIXON: Could I interrupt at that point,
 10 general? You have legal counsel that advises you about these
 11 matters, I take it?
 12 GENERAL SULLIVAN: Yes, sir. Yes. Now, regarding
 13 the second aspect of your question, I'm committed to
 14 maintaining the essence of America's Army. And it troubles
 15 me, obviously, when someone says that they think a move such
 16 as this will put them into second-class citizenship in the
 17 Army.
 18 We're certainly not going to let that happen, and
 19 I'm sure General Reimer, if he were here, would say the same
 20 thing. I mean, we have seen a lot of change here in the last
 21 four years, an enormous amount of change. And we have kept
 22 the vibrancy and the credibility of this organization.

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1 one first, second-class citizenship. I think that there is
 2 no one more grateful, first of all, to the communities that
 3 have housed the Army over time, certainly to the community
 4 that has housed these schools. Our soldiers have been
 5 treated well, and they have been made to feel good there.
 6 And yes, it is always more comfortable to remain in
 7 the place where you were assigned and where you have over
 8 time built up your stature both on the post -- and I think
 9 your question referred more to on the post -- but also in the
 10 community.
 11 Even so, in our Army, particularly when we're
 12 talking about branches of the services or the schools, it is
 13 the commanders themselves of those institutions, the cadre,
 14 who when they move to their new location will determine what
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 16 accountable for whether or not they're second-class citizens
 17 in their new location as I do anybody else.
 18 But even so, of course, the answer you would expect
 19 from me is that we will make sure that at the new location,
 20 they have the status, they have the -- and I think the other
 21 thing they're concerned about is access to support that they
 22 want. I would say that that's not a real worry on our part,

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1 And moving the chemical school and the MP school to
 2 Fort Leonard Wood, in my view, will not be detrimental to
 3 that in the long-term readiness of the United States Army.
 4 And we will work -- and I know General Reimer will; I'm sure
 5 I'm speaking for him -- to ensure that that just doesn't
 6 happen. But it's important for me to hear. It's feedback.
 7 And obviously, I'll take a look at it.
 8 COMMISSIONER ROBLES: Thank you, Mr. Chairman. My
 9 time has expired.
 10 CHAIRMAN DIXON: Commissioner Montoya.
 11 COMMISSIONER MONTOYA: Let me stay on the same
 12 topic for a moment, general, but come at it from another
 13 issue that has come to our attention, the issue of permits.
 14 There's a real trap there, in that there in the world of
 15 environmental issues, you get permits to construct things
 16 which are fairly easy to obtain compared to permission to
 17 operate things.
 18 It's those operating permits that generally don't
 19 come till after you finish construction or nearly the time
 20 construction is done that really tie your hands. And so I
 21 don't seek to tell you that you aren't getting good advice,
 22 but I just mention that it's a long process and a very

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1 but I understand why you raised it.
 2 The other two are more recent issues. Let me take
 3 the first of those two, which is permits generally, whether
 4 we're getting them and whether we're going to get what we
 5 need. Our recommendation to the Secretary of Defense -- and
 6 it was one that the Chief of Staff and I specifically placed
 7 our emphasis on as it worked its way up to us -- was that we
 8 would not move -- there will be no moving unless we get the
 9 permits we need to operate in the new location.
 10 That was the basis on which we recommended that the
 11 Secretary send the list to you. And I think that is the way
 12 that recommendation comes to you. That pledge on the part of
 13 the Chief of Staff and on the Secretary of the Army remains
 14 in effect. Our recommendation to you is that we not move,
 15 that we don't move unless we get the permits.
 16 But the second part of that is, from all I
 17 understand from those who I trust and the Chief trusts to
 18 follow this information for us, we now have those permits,
 19 every one of them, and to the extent we need them to do our
 20 job.
 21 Is that right?
 22 GENERAL SULLIVAN: Yes, it is. And let me

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1 unpredictable process.
 2 And in that regard, I've seen correspondence where
 3 the moving of the chemical school could, in fact, jeopardize
 4 a remaining mission that you have in mind for Anniston, which
 5 is the disposal of chemical stockpile.
 6 The State of Alabama, I think, has written that
 7 part of the conditions that they had contemplated in writing
 8 permits or awarding permits for construction in later
 9 operation was the assurances that there would be adequate
 10 cleanup or reaction forces associated with the chemical
 11 school if there were an accident or if there were a spill,
 12 what have you.
 13 And so they would reconsider issuing construction
 14 and operating permits for your disposal activity at the
 15 existing site. Can you address that for me?
 16 GENERAL SULLIVAN: Well, I don't believe there's a
 17 direct link between the two, although I understand that I'm
 18 sure there is someone somewhere who is trying to draw that
 19 link. But I don't believe there's a link between McClellan
 20 and Anniston in that regard.
 21 Now, to your other point, I'm not the lawyer here.
 22 There's a lot of attorneys here in this room, and there's a

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lot of attorneys that can handle the other aspects of it. I'm aware of the pitfalls involved in a move such as this with permits to construct and permits to operate. And there will be views on all of that.

I think what the Secretary said is important. We have proposed to move these two schools from Alabama to Missouri because we feel that is the most efficient way to operate three schools and the most efficient way to be operating the Army.

We are not going to do it if it will jeopardize our mission. And that -- we'll just have to play this out. I believe we have what we need to do that now. Look, we're walking a fine line here. I've got to get the money to run this organization. And I think the way to do it is to get out of McClellan.

COMMISSIONER MONTOYA: And general, I accept that on its face. I'm not going to quarrel with that. What I'm suggesting is, there are people in state government, and there are environmental folks that could care less about your money, your mission.

GENERAL SULLIVAN: Right.

COMMISSIONER MONTOYA: And they will stop you. As

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In none of the other locations is there a military base such as Fort McClellan. So we believe that it is not required for the safe operation of the plants that we will provide exactly the level of support that is required.

COMMISSIONER MONTOYA: And I accept that, too. The issue is, will Alabama accept that. And they're on record saying they won't. And we have 50 independent states like you have 8 independent commissioners, and they don't always work in concert.

One question to the depots, and it's a substantive question. Again, looking at a total cost as we look at these issues, we have some data that indicates that the cost of unemployment compensation in the Army number is less than a million dollars; the community's estimating costs that could be in excess of \$50 million. And that presumes that none of the people or very few of the people will move from one place to the other.

That has two implications -- that great cost disparity implication; the other one is, there is clearly workload at Red River. Having been there, there is a lot of work there and more work contemplated. Two questions: Can you absorb the workload at Anniston that is there today?

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sure as I'm sitting here, they will stop you. And I'm not convinced that today, that your path is so clear that you have the assurance that you can execute. That's this commissioner's concern at this point in the process. I haven't seen the evidence that you can execute, notwithstanding your correctness.

SECRETARY WEST: Commissioner, if I might have a chance to address that. I'm not the lawyer here, either, but I am a lawyer. And the Chief and I have a number of lawyers who have been addressing that very issue. That's one of the reasons we wrote that condition into our approval. And I am familiar with the very point you make. And we are very careful about it.

That is why I've emphasized that. But I also don't want to mislead you. It is true that we believe right now that we have the permits we will need, and we also believe that we will be able to carry through in the place that we will move to. We were very careful about analyzing that. And we realized that working through the permitting process is a series of landmines.

It is why when we did the review, the Chief and I asked the basic question which I suspect occurs to you as

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And secondly, does your analysis indicate that large numbers of people are going to move, or are you going to be able to replace the skills -- if they don't move, you're going to lose a tremendous resource. I was really impressed with the people, by the way, at Red River, their attitude, their management skills and approach.

You're going to lose a great resource, not only in plant, but in people if they don't move. And have you analyzed how you're going to make that up to handle that workload? What is your view of those people?

SECRETARY WEST: Well, I was going to say, commissioner, we share your view. That's one of our top depots. They won an award. They are a fine representation of employees and people who work for the United States doing the United States' business and doing it well, and we're proud of them.

We do not make this plan lightly. We make it in view of the fact that if we are going to combine the depot maintenance, we are driven to combine it at the facility that has the heavy maintenance capability. And I think that's sort of where we had to go on that.

COMMISSIONER MONTOYA: And you can do the work, you

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well underneath all of this, which is, "Why would you leave a place where you've got all your permits where you are able to operate without legal impediment to go to a place where you've got to go through the process that not only regulators but those who come in to influence regulators, the public, might somehow derail that effort?"

And the answer is, the logic of the move, the savings, the intelligence in the way we can operate our force dictate it. That being the case, we have walked as carefully as we know how through the permits. And at this moment, we are encouraged. We believe we are there in terms of what we need now, and we believe we will continue to have the cooperation of the receiving states' authorities, even though there will from time to time be issues that arise.

SECRETARY WALKER: Commissioner Montoya, if I might add one thing on the chemical demilitarization issue. The Secretary of the Army is the executive agent for the Secretary of Defense to build eight such chemical demilitarization plants throughout the United States. And the Army is committed in each one of those cases to provide exactly the amount and the level of support that's needed for safe operation of those chemical demilitarization plants.

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I think, with the people you've got at Anniston, or do you see some growth in personnel?

SECRETARY WEST: Yes. Your question about migration, for example, I don't know what our personnel expectations are.

GENERAL SHANE: There's no question that we can do the work, Commissioner Montoya. We looked at that. We coordinated that with the Army Materiel Command. The headquarters does that. Everything seems to be in place.

Your concern with regards to the 10 million and \$50 million difference that you brought up with regards to working compensation, let me comment about that. Our numbers -- and this is a point I think we need to keep in mind, that the Army's numbers have been audited by the Army Audit Agency and GAO at almost every step in the process.

So I feel fairly comfortable with the numbers. It doesn't mean that we haven't collectively made a minor mistake. But I think that those numbers are good for the Army, 10 million is a good number. But regards to the work, no question. Anniston can assume that workload.

COMMISSIONER MONTOYA: Thank you, Mr. Chairman.

CHAIRMAN DIXON: Thank you very much, Commissioner

<p style="text-align: right;">Page 49</p> <p>1 Montoya. 2 Commissioner Kling. 3 COMMISSIONER KLING: One quick question back to 4 the chemical. Will a general officer be heading up the 5 Chemical Corps if it moves to Fort Leonard Wood? 6 GENERAL SULLIVAN: Yes. 7 COMMISSIONER KLING: Yes, it will be? 8 GENERAL SULLIVAN: Yes. 9 COMMISSIONER KLING: Thank you. 10 GENERAL SULLIVAN: Yes. Each of the schools will 11 be separate and distinct, I'm sure. Now, that doesn't mean 12 that there wouldn't -- you know, I think there will be some 13 management efficiencies which could take place, obviously, 14 since there would be overlap in some of the -- 15 COMMISSIONER KLING: We had just heard that there 16 wouldn't be a general officer in that. 17 GENERAL SULLIVAN: You did? 18 COMMISSIONER KLING: That there would not be, and 19 that's really why I'm asking you. Let me turn to the matter 20 of the leases, if I could, a second. We have had a lot of 21 back and forth information, and I'm referring to ATCOM, which 22 you just, Mr. Secretary, briefly touched on the military</p>	<p style="text-align: right;">Page 52</p> <p>1 like components seems to us, again, to make sense in terms of 2 the needs of the Army at that time. And on those alignments, 3 I think I'm prepared to pass along to the Chief. 4 GENERAL SULLIVAN: I think leases, while important, 5 I think we need to just consolidate all of them as much as 6 possible. 7 GENERAL SHANE: If I could? 8 COMMISSIONER KLING: Yes, sir, General Shane. 9 GENERAL SHANE: Commissioner Kling, let me make a 10 comment on this. First, with regards to Missouri delegation, 11 as you recall, I provided I think it was a 14-page letter 12 which laid out the Army's position on that in detail. And 13 what I think the bottom line of that was is not a question of 14 criterias. 15 It's really a question of process and how you go 16 about assessing and going through the rigorous analysis of 17 coming up with the term "military value." With normal 18 installations, what we did, we use what we call the 19 "installation assessment plan." And we used a computer model 20 called Decision Pad to come up with a list of ratings based 21 on some attributes that were established. 22 The difference is the fact that we looked at each</p>
<p style="text-align: right;">Page 50</p> <p>1 value of leases. 2 But the Missouri delegation and the community have 3 expressed their concern that the Army has not complied with 4 the Defense Base Closure and Realignment Act of '90. Can you 5 just explain why you believe that the Army's recommendation 6 concerning leases are consistent with the force structure and 7 the final selection criteria giving priority to military 8 value? 9 SECRETARY WEST: Yes, sir. And there are several 10 points to be made here, and then I think I will also defer to 11 General Sullivan, as well. First of all, the question is, 12 the military value of what? Are we talking about the 13 military value of the lease itself and the facility, as we 14 often do when we talk about the military value, say, of an 15 Army installation, the military value of Fort Bragg and all 16 those ranges and the like? 17 Because if we're talking about that, then the 18 military value of the leases in a building in essentially an 19 office setting is simply not that significant. No, I 20 overstated. It's not significant. So the only other 21 question, then, is the appropriateness of the economic 22 decision made there, the business decision, on the one hand</p>	<p style="text-align: right;">Page 53</p> <p>1 individual list, but we did not necessarily use the Decision 2 Pad model or the installation assessment plan to do that. So 3 when I read through what the delegation was saying to me, I 4 think there may be a little bit of information here that was 5 kind of left out. 6 And that was the fact that they may just did not 7 understand clearly with regards to what military value was 8 and confused it with the issue of the installation assessment 9 of leases. So once again, I would ask that for testimony 10 today, that we provide for you or make a matter of record the 11 memorandum I provided to the Commission's staff. 12 COMMISSIONER KLING: That would be fine, sir. 13 SECRETARY WEST: Commissioner, there was one point 14 left untouched, and I should just make a note. The other 15 point, the utility of actually separating those units out, 16 separating aviation from troop support, which is what ATCOM 17 is right now. It's basically a combination of two different 18 functions. 19 What our proposal will do as part of the process 20 is, we'll return those to like locations. Aviation will be 21 with like activity. Troop support will be, I think, with the 22 solidier support at Fort Nadick. And that makes sense to us</p>
<p style="text-align: right;">Page 51</p> <p>1 and of the implications of how we are organizing ourselves to 2 do the defense business. 3 That is, should ATCOM remain together for the 4 synergy of its many component parts; or if, as we're planning 5 to spin some things off, will that somehow lessen their 6 ability to do their job? And I think maybe you want me to 7 really get to that latter point. 8 So first of all, on the leases, as a business 9 matter, I would like to see the Army out of as many leases as 10 we could get out of. Now, that's simply not possible to do. 11 There are too many instances in which when you look at the 12 contrasting alternatives, it makes much better business sense 13 to be in that lease there. 14 That is not the case with ATCOM in St. Louis. It 15 does not make better business sense for us to be in those 16 high-cost leases. It makes better business sense if we have 17 a way consistent with the Chief of Staff's force structure 18 needs, to be somewhere in space that is on a post or that the 19 Army owns and where there can be some synergy with other like 20 activities. 21 And on the second part, a decision which 22 essentially moves components of ATCOM to do like things with</p>	<p style="text-align: right;">Page 54</p> <p>1 in terms of the synergy of those operations. 2 SECRETARY WALKER: Commissioner, if I might add 3 just one point on what the Secretary just said. In addition 4 to that, it results in a substantial cost savings. The 5 annual savings from the recommendation is \$56 million 6 annually once it's executed. That's 9 percent of the entire 7 savings of the entire package before the Commission. That is 8 a substantial savings in this one instance. 9 COMMISSIONER KLING: That's a good lead-in, Mr. 10 Secretary, to the second question. And this really is 11 getting down more to it. The Army estimates, as I understand 12 -- we have a slide here that we'll put up, but the Army 13 estimates that 786 civilian positions could be eliminated by 14 combining the aviation troop command and the missile command. 15 However, the community believes that the personnel 16 savings are significantly overstated, and from the 786, only 17 48 positions would be eliminated as shown on this slide in 18 which we may not be able to see, but I believe you all have 19 it in front of you. 20 CHAIRMAN DIXON: Do you have the slide? 21 GENERAL SULLIVAN: Yes. 22 COMMISSIONER KLING: I wonder if you might just</p>

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comment on each of these categories as we go down it, Secretary Walker or whoever.

SECRETARY WEST: We'll let General Shane.

COMMISSIONER KLING: General Shane?

GENERAL SHANE: Commissioner Kling, let me discuss that. First of all, let me state that the Army stands by its number 786. And let me explain why. First of all, at every juncture -- and I'll discuss each one of these points in just a minute.

But at every juncture, once again, the Army Auditing Agency and GAO checked our numbers. So they have been validated by some analysts and reviewed. So we feel pretty comfortable with regards to that. Let me give you just a take.

First of all, we start with additional force structure reductions. I would like to point out a couple of things. They use in here the October '94 program budget guidance, which talks to man years and dollars and not authorizations. And they talk -- plus the February command plan changes, which has not been confirmed by the Army.

So what we used was what we were directed to by DOD, and that was the November '94 ASIP. And once again, we

savings would be 46 million. We now calculate those savings to be 56 million annually after completion.

SECRETARY WEST: So the bottom line, commissioner, is every time we review this, it looks better to us.

COMMISSIONER KLING: I've been told my time has expired, so Mr. Chairman, I turn it back to you. And by the way, gentlemen, I certainly thank the Army. In all the visits we had, the people were splendid. The Corps is wonderful. It has been a great experience.

GENERAL SHANE: Thank you.

CHAIRMAN DIXON: Thank you, Commissioner Kling. General Sullivan, you made an interesting remark in your presentation about the fact that this is the last BRAC. And, of course, you and I know that under law, it is the last BRAC. Have I shocked you? You did make that --

GENERAL SULLIVAN: Yes, I did.

CHAIRMAN DIXON: Now, let me make this observation. It clearly is the last BRAC provided by law. There isn't any question that we have got a 40 percent reduction in authorized and appropriated amounts. There isn't any question we have got a 30 percent force level reduction. There isn't any question we haven't come up to the

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stand by those numbers. The 205 you see here are not just Army numbers. Those consist of Coast Guard, Air Force, Navy, and other DOD people. So the 205 number, we simply do not support that number.

The area support positions, the bottom line there is the fact that once again, we do not support it because the workload is being absorbed elsewhere. And we get down to the last two areas which talk about 90 and 387 as base OPS personnel.

What they're saying is the fact that you do not recognize any savings when associated with streamlining, downgrading, reengineering a headquarters, which was in our proposal.

And we simply have discussed this in detail with the major command, and they agree that these numbers here are overstated. So the bottom line is, the 48 number which they say which constitutes no savings for the Army is not correct.

COMMISSIONER KLING: The biggest numbers are the 90 and the 387. And what you're saying to me, I believe, if I would understand from a business life, is that you absolutely are going to be instructing when the move takes place that these positions are not to be filled, period?

mark in this BRAC round even if we exceeded the recommendations of the Department of Defense to take care of the excess capacity. I believe all that's a given. But you interrupt me if I'm wrong. I'm shocked to see staff show me figures that show we're back down to about the 1950 level. I think that's regrettable, if it's factual.

But I think the trend does not look very good. Were it up to me, I would advise differently, but I'm satisfied that Congress is doing nothing more but reflecting the views of their constituency and, for the time being, we have to live with that.

In any event, it brings me to this point. Obviously, no one would tolerate another BRAC in a couple of years. I think everybody has a belly full of this for right now, and I can understand why. Certainly, the Chair has a belly full of it. But it occurs that there's a lot of excess capacity out there still to be looked at again.

There has been some discussion about the possibility of maybe after a couple of Presidential elections 20 intervene and the dust settles and everybody has had an opportunity to review their own house again -- maybe I'm throwing out a figure of something like 2001, there's an

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GENERAL SHANE: That's correct. That's correct.

COMMISSIONER KLING: So you stand by the fact that these -- we will not be replacing these numbers of people when this move is done?

GENERAL SHANE: That's correct. And I have personally gone down and talked to the commander of MICOM, Major General Link, and discussed this issue with him in talking about this in conceptual terms. And we feel comfortable with our number -- 786 is the right number.

SECRETARY WALKER: Commissioner, if I might add one thing. After this list was submitted to the Commission, the staff continued to work on looking at the estimates to make sure that they were correct. This has been revised downward. The original estimate was for 1,022 personnel savings. And we have looked at it again, and the current estimate is 786. So we have taken into account those concerns in the recommendations.

COMMISSIONER KLING: I guess the other point is the savings.

SECRETARY WALKER: Yes. And as a result of that, we still found that the savings not only held up but increased. The original recommendation indicated that annual

election in '96, and there's an election in 2000.

And by that time -- and that's the end, incidentally -- I believe I'm correct -- that's the end of the reach of these BRACs, 2001. So it strikes me that out there six years away where nobody needs to lie awake nights right now, maybe we could look at this again. And I only ask you -- you're leaving in six days. You don't have a dog in this fight. What do you think of that?

GENERAL SULLIVAN: I think the way you're going is probably the right line of reasoning. Certainly, nobody knows what the dollars are going to do. But if they continue to go down, the only way to do it is to have a BRAC Commission, in my view.

CHAIRMAN DIXON: Well, I don't want to have one sitting around for six years.

GENERAL SULLIVAN: No, no. I mean, if you were to ask me, "Okay, what would you recommend?" I would recommend that after this all runs its course, then consider resurrecting the Commission.

CHAIRMAN DIXON: Thank you. Let me ask you another thing. We have seen here -- I don't mean this as any reflection on you -- a lot of changes in the evolution of the

<p style="text-align: right;">Page 61</p> <p>1 BRAC process. You know, you take off things, you put them 2 back on, you realign, you realign again, you subtract, you 3 add to. I'm not finding fault with that. 4 Now, there may be some of that after this, and the 5 question has occurred to us, without reaching out beyond what 6 you've done, we are thinking we need to address how you make 7 changes in BRAC over the next six years. If you want to come 8 to us, say, "We have kind of looked at this again, and this 9 needs a little bit more tuning up." 10 So do you think that's something we -- the reason I 11 ask all these things, Senator Thurmond has asked us to come 12 in about the middle of July when the dust has at least 13 partially settled if we can get back into town, and we'll 14 wear bulletproof vests and come in in the dead of night like 15 Abraham Lincoln did after the election that time over 100 16 years ago. But if we do that, is that a thing we should be 17 looking at? 18 GENERAL SULLIVAN: In my opinion, it is. I think 19 the leaders of these organizations need the flexibility to 20 manage their assets so that they can hold these organizations 21 together. And I can't predict -- I don't think anybody can 22 predict what's going to happen here. And I think there has</p>	<p style="text-align: right;">Page 64</p> <p>1 SECRETARY WEST: And that's a correct assumption, 2 sir. 3 CHAIRMAN DIXON: Now, finally, I want to make this 4 clear in my own mind. There's a lot of discussion here. All 5 my colleagues have asked these questions. These questions 6 are in our mind. You have five depots out there, and we all 7 know we're looking at good stuff now. I've said from the 8 beginning, "Hey, you have an '88 round; you have a '91 round; 9 you have a '93 round." 10 I played baseball and sports when I was a kid -- 11 not so good -- but I remember, you had a bunch of cuts. By 12 the time you got the cuts finished, you had what you thought 13 was your team left. And this is the fourth cut. All this 14 stuff's good. Most of these places have had awards of 15 excellence and all kinds of tributes to the fine work they 16 do, right? 17 GENERAL SULLIVAN: Right. 18 CHAIRMAN DIXON: Now, you've got five depots out 19 there, and you're telling us with the excess capacity you've 20 got, you can live with cutting out two and having three left. 21 SECRETARY WEST: Yes, sir. 22 CHAIRMAN DIXON: And you are saying to us that</p>
<p style="text-align: right;">Page 62</p> <p>1 to be some mechanism so we can move things around. 2 I think Commissioner Montoya's question is 3 certainly -- look, we're paying attention to that. Now, we 4 don't want to slavishly hold to preconceived plans or 5 preconceived notions if it doesn't seem correct. And locking 6 us in, fencing us in, will be dysfunctional. Could be. 7 CHAIRMAN DIXON: And Secretary, you're nodding 8 "yes." If you have anything you want to -- 9 SECRETARY WEST: No. On a different matter, your 10 comment about the Chief not having a dog in this fight, of 11 course, we know how he feels about the Army. He always will 12 have a dog in this fight. 13 CHAIRMAN DIXON: Oh, I understand that. Well, we 14 respect and love him for it. Now, I'm going to ask two more 15 questions. They're highly repetitious. But, you know, by 16 now, let's all be adults about this. We know what the hot 17 spots are around here. And everybody knows that some things 18 are not going to be a lot of trouble, and other things are 19 highly controversial. Let's face that. 20 Now, the fight between Alabama and Missouri has 21 gotten into the national magazines and everything else. And 22 it's a pretty good fight, and I respect both sides for going</p>	<p style="text-align: right;">Page 65</p> <p>1 that's better than downsizing, so far as the Army is 2 concerned, without any judgement of what some other service 3 may do? 4 SECRETARY WEST: Yes, sir. That is exactly what 5 we're saying. 6 CHAIRMAN DIXON: You say you save money by closing 7 and not downsizing. 8 SECRETARY WEST: Yes, sir. 9 CHAIRMAN DIXON: You've looked at downsizing? 10 SECRETARY WEST: By "downsizing," you mean simply 11 shrinking the particular five to a smaller size? 12 CHAIRMAN DIXON: Get them smaller and in place. 13 SECRETARY WEST: We have, and we have concluded 14 that that is not the way to go and that those who may be 15 going that way are not making as good judgements as we are. 16 (Laughter.) 17 CHAIRMAN DIXON: Well, that's a stronger response 18 -- I'm a luckier lawyer than I thought I would be on that 19 one. 20 (Laughter.) 21 CHAIRMAN DIXON: The Chair recognizes Commissioner 22 Davis.</p>
<p style="text-align: right;">Page 63</p> <p>1 at it and making their best cases. Now, challenges are 2 taking place before the commissions right now at the 3 administrative level. I have no doubt this is going into 4 courts and so forth. I'm a lawyer. That's how I make my 5 living in my other life. 6 But you fellows are here saying that you stake your 7 reputations on the fact that what you have now, the permits 8 you have now satisfy the Army regarding this matter. 9 SECRETARY WEST: To the extent we know and with the 10 advice we have, which yes, as you pointed out, does include 11 our counsel. 12 CHAIRMAN DIXON: Well, I want to tell you 13 something. We're going to start voting next Thursday, the 14 22nd day of June. And I ask you both, General Sullivan and 15 Secretary West -- let's see; you're going to leave here six 16 days from now -- but I would ask you all to let us know if 17 there's any changes in this. Because as far as the Chair's 18 concerned, I indicate not at all how we'll vote. There may 19 even be divisions here. 20 But the point is, I act on the assumption you're 21 saying you're satisfied about the permits on whatever this 22 chairman finally will do.</p>	<p style="text-align: right;">Page 66</p> <p>1 COMMISSIONER DAVIS: From the United States Air 2 Force. 3 (Laughter.) 4 SECRETARY WEST: Who are, incidentally, making fine 5 judgements. 6 COMMISSIONER DAVIS: Formerly of the Air Force. 7 First, I would like to join my colleagues up here in wishing 8 General Sullivan well. And we hope that he doesn't go away. 9 that he provides his advice and counsel for years to come. 10 GENERAL SULLIVAN: Thanks. 11 COMMISSIONER DAVIS: Mr. Secretary, I'm going to 12 have to beg your indulgence. You know, it's a wonderful 13 thing when -- the commissioners are really worried that 14 either agreeing with you or not agreeing with you would do 15 severe damage to your capability. And I recognize the job 16 General Sullivan and you have done in trying to map this 17 strategy out. 18 I also recognize that your budget flex is not very 19 high and that if you don't get the savings, you probably 20 jeopardize your readiness and your modernization accounts, 21 which is really very critical. By the same token, as you can 22 see, we're not up here to challenge the U.S. Army on their</p>

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1 depot choices.

2 We're just worried that we leave you with the
3 proper capability when we're finished. And natural disaster
4 has already been covered rather well. And that's something
5 we should worry about.

6 Let me ask you another question in sort of a
7 counter-natural disaster question. Given that you -- if Red
8 River is closed and Anniston will be almost completely at
9 capacity by shifting the workload, have you considered using
10 Letterkenny as a backup to increase their workload with some
11 other vehicles -- the Palladin runs out in, I think, '97 --
12 if you just do the active Reserves, you do the Guard and
13 Reserve, then you've got a continuing Palladin, so we're told
14 by Letterkenny -- and increase it with something like some
15 other vehicle like the Bradley fighting vehicle or something
16 like that?

17 SECRETARY WEST: We have looked at a lot of
18 different options, commissioner. That is one we specifically
19 have not chosen. As you know, we are realigning Letterkenny,
20 or at least we are proposing to. The Palladin, incidentally,
21 is, in our view, not jeopardized by this. It will be done by
22 the time these occur.

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1 And so my answer is, no, using Letterkenny in that
2 capacity is not our plan. I think, however, your reference
3 to natural disasters and the like, again, maybe you want to
4 hear a little bit more from us on that point. And I'm going
5 to let the Chief respond.

6 COMMISSIONER DAVIS: Well, we're all concerned
7 about your surge capacity. You know, if you close a depot,
8 whether it be Red River or some other one, your surge
9 capacity has been properly protected.

10 SECRETARY WEST: Surge capacity is one of the
11 things we spend the most time thinking about.

12 GENERAL SULLIVAN: Yes, we worry about that. I
13 think a million men and women in the United States Army, 10
14 divisions, is the -- I don't need to go through that litany
15 with you, because you know it. And I'm down here -- we are
16 right at the edge of taking more force structure and getting
17 into some big-time cuts here.

18 And I think, frankly, that this is the best
19 approach. And it wasn't easy to take eight divisions out of
20 the United States Army and 600,000 people. And we have got
21 to have this kind of money. And, as the chairman pointed
22 out, nobody knows where these dollars will go in the future.

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1 And that's really what we're after.

2 And when surge -- we'll have to take care of surge
3 and figure it out. I think we can figure it out, when push
4 comes to shove. I'm sure American industry -- corporate
5 America has always been with us, and we're going to be able to
6 handle it in corporate America.

7 COMMISSIONER DAVIS: As a follow-on, General
8 Sullivan, then, the latest study indicates that we ought to
9 do more privatization. Would that be part of your scheme?

10 GENERAL SULLIVAN: In that case, in the surge case.
11 You know, some natural disaster, which you're hypothesizing,
12 I would figure something out. And then I'm sure somebody
13 would step up and say, "Chief, we can handle that; give it to
14 us."

15 COMMISSIONER DAVIS: Well, I hope you take comfort
16 from the fact that we're worrying about this almost as much
17 as you are.

18 GENERAL SULLIVAN: I do, and I appreciate your
19 concerns. And as you know, J.B., I'm trying to balance all
20 of this to do what I have to do in the larger sense, which is
21 to provide an Army which is capable of doing what the country
22 wants it to do and not work on the margin in the total sense.

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1 These are big dollars. They're not marginal
2 dollars. But they start cutting into readiness. I
3 understand readiness when you get into war, but some of these
4 things, natural disasters, I think I can overcome.

5 COMMISSIONER DAVIS: Yes, sir. Now that I've got
6 the big question off our minds, some lesser ones. Does the
7 recent sarin incident trouble you in the movement of the
8 chemical training facility?

9 GENERAL SULLIVAN: No. The recent sarin incident
10 troubles me, but moving the chemical -- I've moved divisions
11 all over the place. I've moved hundreds of thousands of
12 troops. We're not going to lose our capability vis a vis
13 that issue by moving from Alabama to Missouri or moving from
14 Alabama to anyplace. I'll keep the capabilities I need, and
15 we know how to do this kind of stuff.

16 COMMISSIONER DAVIS: All right, sir. The Michigan
17 delegation yesterday talked about the Army pulling its
18 garrison out of Selfridge, and they were worried about who
19 was going to pick up the process. And, of course, I think
20 the Army's the only one that has any active duty people at
21 the Selfridge station. Is that, in fact, true, and where
22 should we go on that one?

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1 GENERAL SULLIVAN: Jimmy, you may want to talk to
2 that.

3 COMMISSIONER DAVIS: You may want to provide it for
4 the record, Jim.

5 GENERAL SHANE: This is General Shane. I would
6 prefer to comment on the record in writing, if I may.

7 COMMISSIONER DAVIS: Sure. And my last question
8 is, according to the Army data, the Sierra Army Depot's the
9 only Army installation out of which START Treaty mandated
10 destruction of rocket motors can be carried out. How is the
11 Department of Defense -- Mr. Secretary, if you close Sierra
12 Army Depot, how is the Department of Defense going to -- are
13 they going to recertify another depot?

14 SECRETARY WEST: I would think so. I think we have
15 an alternative to it. I just don't know what it is right off
16 the top of my head, commissioner.

17 Do you know, Jimmy?

18 GENERAL SHANE: I really don't know the answer to
19 that. But I think it's not being closed, and I think we need
20 to specify for the record it's being realigned. So there's a
21 big difference.

22 COMMISSIONER DAVIS: But the capability there --

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1 GENERAL SHANE: But the capability there with
2 regards to that --

3 GENERAL SULLIVAN: We'll give you an answer.

4 COMMISSIONER DAVIS: All right, sir. And, Mr.
5 Secretary, one final question. I'm sorry. I had to leave
6 the dais for a second. But you do not plan to close English
7 Village under the current plan?

8 SECRETARY WEST: We had been negotiating with the
9 National Guard about English Village before we made our
10 recommendation on Dugway. And, quite frankly, commissioner,
11 we believe that what we announced on Dugway probably had some
12 impact on how that was going forward.

13 It is our desire to keep English Village available.
14 The question is, who will keep it available. It is our hope
15 that that will be transferred to the Guard.

16 COMMISSIONER DAVIS: So it's the intent for the
17 U.S. Army to keep it open, but who funds it is at question?

18 SECRETARY WEST: The intent is to pass it over to
19 the Guard.

20 COMMISSIONER DAVIS: Thank you very much, sir.
21 Mr. Chairman, I yield the rest of my time.

22 CHAIRMAN DIXON: I thank you very much,

<p style="text-align: right;">Page 73</p> <p>1 Commissioner Davis. 2 Commissioner Cox? 3 MADAME COMMISSIONER COX: Thank you. Mr. 4 Secretary, both you and the chairman have eloquently pointed 5 out that we have to make do with less. And one of the things 6 that we seem to be doing successfully DOD-wide is taking 7 advantage of our Reserve components. 8 And we have seen that in several facilities, both 9 facilities and in several incidents over the last couple of 10 years how important the Reserve and Guard are to our efforts. 11 And for that reason, I want to ask you some questions about 12 some of the training ground recommendations that you've made 13 because, as we continue to rely even more on the Reserve 14 components, it's obviously important that they be well ready 15 and trained. 16 You all have proposed not closing exactly but 17 realigning, I take it, and enclaving Fort Pickett, Fort 18 Chaffee, and Indiantown Gap. My understanding in talking to 19 folks who train there today is that your proposal is not that 20 we close them but that they enclave those training areas and 21 facilities which are needed so that we will have those 22 training grounds but that it be funded and run by our</p>	<p style="text-align: right;">Page 76</p> <p>1 Basically, the way I think, now you've got me on a broader 2 philosophy, a philosophical point, and I think I better get 3 off it pretty quickly, but basically I think the way we 4 protect the integrity of the federal budget is by making 5 individuals, individual organizations, entities of the 6 Executive Branch responsible not only for being the 7 proponents but the explainers of how they spend their funds. 8 In this instance, sure, we may be moving 9 responsibility over to someone, but it is the very someone 10 who should be responsible for looking at how that is going to 11 be used. At the same time, we are going to realize savings. 12 I think what you would like to know is whether the number, in 13 terms of savings to the Federal Government or the Department 14 of Defense, is exactly the same as the savings we show to the 15 active Army and whether there is maybe a smaller increment 16 there, because I am convinced that there is an increment, and 17 it is significant enough for us to propose this change to 18 you. 19 GENERAL SULLIVAN: It's about 50 -- you take all 20 three of them. If we could do what we wanted to with all 21 three, it's about 50 million a year. 22 COMMISSIONER COX: To the Army?</p>
<p style="text-align: right;">Page 74</p> <p>1 Reserves and the National Guard. 2 In each case, in Indiantown Gap, my understanding 3 is they're looking at almost 100 percent of the facilities 4 and land being enclaved; at Fort Pickett, somewhere between 5 85 and 95 percent; and I'm not as clear at Fort Chaffee what 6 kind we're looking at. So we're essentially looking at 7 keeping the whole thing but running it differently, for which 8 we sow an enormous amount of savings. 9 I wonder if you might comment on, I guess, just 10 sort of an overall concern that if we're not closing them and 11 we're going to be running 85 or 100 percent of them, where do 12 we really get the savings in having the Guard run it versus 13 the Army? 14 SECRETARY WEST: Well, I'm not sure about the 100 15 percent versus 85 percent looking at the numbers. But the 16 question for us is always the same one, commissioner. It is 17 whether we are operating the particular facility or 18 installation in a way that reflects present-day realities, 19 both in terms of our use of our personnel and of our funding. 20 And the fact is that in each case, yes, we do show savings, 21 because the savings occur because we take away some 22 housekeeping and post-oversight authority and those kind of</p>	<p style="text-align: right;">Page 77</p> <p>1 GENERAL SULLIVAN: Yes. 2 COMMISSIONER COX: With the National Guard, as I 3 understand it, and -- 4 GENERAL SULLIVAN: I've got some MPA and O&M costs. 5 I've got some MPA, military personnel, in there. So I would 6 say that their costs, they're there anyway in most cases, so 7 their costs are already accounted for. 8 COMMISSIONER COX: My understanding, and maybe we 9 could ask the general of the National Guard, as I see is 10 here, is that they're looking at costs of about \$29 million 11 or so for running these three facilities. Maybe that's a few 12 other facilities too? 13 BRIGADIER GENERAL SHANE: Commissioner Cox, 14 Brigadier General Shane. Let me touch on that. 15 COMMISSIONER COX: Surely. 16 BRIGADIER GENERAL SHANE: In our analysis, we need 17 to point out that in the COBRA runs, we put aside \$20 million 18 to run those three installations. I think if you talk to the 19 National Guard, General D'Araujo is here, he'll tell you his 20 requirement is about \$21.6 million for those three 21 installations. So it's in the ballpark. 22 This is not done in a vacuum with regards to the</p>
<p style="text-align: right;">Page 75</p> <p>1 support facilities and turn it into solely the operation for 2 which it's going to be used. 3 That's what the enclaves say. The enclaves say 4 there is a lesser mission, there is a portion of it that's 5 less than the whole that can be isolated. If isolated, we 6 can better cost it out, better trace where the funding needs 7 to be, and also take away the incidentals that are no longer 8 necessary there. 9 Your point, I think, is are we somehow pushing this 10 off into a budget item under different colors. 11 COMMISSIONER COX: Yes. If you're enclaving 85 to 12 100 percent of it, and, for example, at Fort Indiantown Gap 13 you don't have a number of the things that you might consider 14 quality of life, so there aren't sort of post things that 15 could go away, you do wonder. 16 From our perspective, and I understand you're 17 looking at it from an Army perspective, we're looking at it 18 as an overall government-wide expenditure on important 19 training. Just moving it to somewhere else doesn't help us. 20 MR. WEST: Well, it does. It makes the people who 21 use it, and who are therefore funding it, a little bit more 22 careful about how much funding they wish to lavish on it.</p>	<p style="text-align: right;">Page 78</p> <p>1 requirement for training. We've coordinated and I've talked 2 direct with the National Guard. The bottom line is there are 3 some missions here that we need to divest ourselves of, that 4 he doesn't want to do. We don't to do them and we don't want 5 to pay for them. That's the thrust of our recommendation 6 here. 7 COMMISSIONER COX: And when you say, and maybe we 8 should ask D'Araujo here as well -- in fact, could I ask you 9 if you feel comfortable? Brigadier General Shane has just 10 indicated that the funding is at about \$20 million for the 11 National Guard. That is for this year or is that over a 12 period of time? How does that work? 13 BRIGADIER GENERAL SHANE: That's to establish the 14 enclaves and to operate the enclaves. 15 COMMISSIONER COX: To establish the enclaves. 16 BRIGADIER GENERAL SHANE: That's programmed in the 17 operating costs for that. 18 COMMISSIONER COX: And, General, do you feel 19 comfortable that you can continue to run the training areas 20 that you need and that others who train there need, and that 21 you'll be able to get that money? 22 MAJOR GENERAL D'ARAUJO: Yes. The figures that you</p>

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<p style="text-align: right;">Page 79</p> <p>1 just heard about, \$21 million, is our estimate for the 2 operating costs for the three installations you referred to 3 based on the minimum essential enclave we feel we need to 4 support, our weekend and annual training requirement. 5 CHAIRMAN DIXON: May I interrupt? For the record, 6 that's MG John R. D'Araujo, Director of the Army National 7 Guard. Does the reporter have all that? Could the reporter 8 hear the distinguished general's remarks? 9 MG D'ARAUJO: I think so, sir. 10 CHAIRMAN DIXON: Well, we don't want to think so. 11 I respect that. 12 COMMISSIONER COX: Actually, I'm having a hard time 13 hearing the general's remarks. 14 CHAIRMAN DIXON: It's my responsibility to reserve 15 the integrity of the record here. State your name. Have you 16 been sworn? 17 MG D'ARAUJO: Yes, I have. Let me restate what I 18 just said. 19 COMMISSIONER COX: Thank you. 20 MG D'ARAUJO: General Shane's comments are correct. 21 What we've identified are the enclaves we require for our 22 IDTR weekend and annual training requirements to support the</p>	<p style="text-align: right;">Page 82</p> <p>1 continue to be accomplished at a reasonable cost? 2 GENERAL SULLIVAN: That's at Pickett, yes. That's 3 where they do most of -- the Marines do a lot of training at 4 Pickett. We're working that action. 5 COMMISSIONER COX: And are those costs including -- 6 your \$21 million is the National Guard cost? 7 MG D'ARAUJO: That is correct. 8 COMMISSIONER COX: Are the costs for the Marine 9 training, I think the Navy Seals training at Fort Pickett, 10 are those also included in that \$21 million that's in the 11 COBRA? That's in addition? 12 BRIGADIER GENERAL SHANE: What you're talking about 13 are reimbursable expenses, but you're not including the COBRA 14 model. 15 COMMISSIONER COX: Right. 16 BRIGADIER GENERAL SHANE: So we would expect the 17 Navy, the Marines to reimburse the National Guard for 18 training opportunities. 19 GENERAL SULLIVAN: Whatever they do there, they 20 would reimburse them. That's in their budget line. 21 COMMISSIONER COX: And the National Guard, when 22 you're looking at enclaving and picking up the \$21 million</p>
<p style="text-align: right;">Page 80</p> <p>1 Guard forestructure as we see it unfolding through the years. 2 Our estimates for those enclaves that we've defined working 3 with the Army runs about \$21 million for those three 4 installations you referred to. 5 COMMISSIONER COX: For those three installations? 6 MG D'ARAUJO: That is correct. 7 COMMISSIONER COX: And are you comfortable that 8 those annual costs of \$21 million, presumably saving the Army 9 something more than \$21 million, will be forthcoming? 10 MG D'ARAUJO: I expect that they will be, yes. 11 COMMISSIONER COX: GEN Sullivan, you will be gone, 12 but some of the rest of you all -- will you be supporting 13 that request? 14 MR. WEST: Well, let me just say, as the Secretary 15 of the Army, I'm responsible for all three components and 16 their budgets. So either General D'Araujo is speaking with 17 my authority or I'm speaking in support of him. 18 COMMISSIONER COX: And you do support him? 19 MR. WEST: I support him. Secretary Walker, let me 20 add that we've been working very closely with the Director of 21 the National Guard as well as with the state tags. The \$20 22 million will be forthcoming, I can assure you, in the future</p>	<p style="text-align: right;">Page 83</p> <p>1 cost, I assume if you're not enclaving 100 percent of it, you 2 are enclaving enough that it would also cover the training by 3 the Marines and the Seals. 4 GENERAL SULLIVAN: Sure. 5 COMMISSIONER COX: So, virtually all training that 6 is going on today at Pickett, Indiantown Gap and Chaffee will 7 continue at Pickett, Indiantown Gap and Chaffee? 8 GENERAL SULLIVAN: I don't know. I wouldn't want 9 to sign up for that, but I would sign up for if whatever the 10 MEF is on the East Coast, if CG of the Marine forces on the 11 East Coast wanted to do training at Fort Pickett, he would 12 come up and negotiate with the commander of Fort Pickett 13 United States Army National Guard and he would, in fact, 14 reimburse him or her for whatever training he did as 15 appropriate out of his training funds, as would the regular 16 Army. 17 If the active Army wanted to go in and jump, as the 18 82nd does or 18th Airborne Corps, they would pay the Virginia 19 National Guard so much to do whatever they do. It would be a 20 business operation, but it would not be in this -- I urge you 21 not to try to relate \$20 million to 50 because there's no 22 correlation.</p>
<p style="text-align: right;">Page 81</p> <p>1 budget programs. 2 COMMISSIONER COX: But that's a one-time cost. 3 MR. WALKER: No. That's an annual cost of 4 operation, I believe; is that correct? 5 COMMISSIONER COX: I'm sorry. The COBRA was -- the 6 \$20 million, what was that that General Shane referred to? 7 BRIGADIER GENERAL SHANE: That's the programmed 8 operating cost to operate the enclaves we're leaving behind. 9 MR. WEST: That's correct. 10 COMMISSIONER COX: And you all feel comfortable 11 that that money -- you all will support each other in asking 12 the Congress for that money; is that correct? 13 MR. WALKER: The continuation of this training is 14 important in those locations. There's no question. 15 COMMISSIONER COX: As I understand it, there are a 16 number of other services training there as well, not just the 17 Army Guard. The Navy has got some training at some of these 18 facilities. 19 GENERAL SULLIVAN: The Marines. 20 COMMISSIONER COX: The Marines have some training 21 at some of these facilities. Have you been coordinating with 22 them, and are you comfortable that that training will</p>	<p style="text-align: right;">Page 84</p> <p>1 COMMISSIONER COX: That's part of what I'm 2 concerned about, unfortunately. 3 MR. WEST: I think we can certainly agree with you 4 on two points. One, yes, we've made our best good faith 5 effort to enclave sufficiently so that the training that 6 needs to be done by the Guard Bureau and those can be done. 7 Secondly, you are right, I think, that there may indeed be 8 other costs to the United States Government that don't get 9 caught up in what we've said here. But it is our belief that 10 the savings exist nonetheless and that we can isolate those 11 costs, try to get them together so that you'd see it. 12 COMMISSIONER COX: That would be helpful. 13 CHAIRMAN DIXON: Now let me say this, if the Chair 14 may interrupt. We only have 12 minutes left and I'm going to 15 honor the right of my last commissioner to ask questions. 16 But two commissioners have now indicated they would like to 17 send you some questions in writing. 18 It occurs to me, if my colleague would accommodate 19 me, that Commissioner Cox could pursue this assiduously 20 working with staff to get to the finite results of what she 21 wants in writing with you folks. I know Commissioner Kling 22 has questions in writing. So there may be others.</p>

<p style="text-align: right;">Page 85</p> <p>1 I'm sure you're all willing between now and the 2 22nd day of this month to answer those questions because her 3 line of questioning is certainly important to us. Thank you 4 very much, Commissioner Cox. 5 Commissioner Cornella. 6 COMMISSIONER CORNELLA: Thank you, Mr. Chairman. 7 GEN Sullivan, I have to empathize with you today. I can't 8 think of anything, if I were in your position, that I'd care 9 less about doing than appearing before this Commission. With 10 six days left, I would hope the next five days are nothing 11 but military bands, troop reviews and ticker tape parades. 12 GENERAL SULLIVAN: Thank you, sir. 13 COMMISSIONER CORNELLA: GEN Shane, I'm a poor 14 stenographer, but you said a few minutes ago, in regard to 15 the question on depots that -- and I believe I have you 16 quoted correctly here. You say we looked at that. We 17 coordinated with the Army Materiel Command and everything 18 seems to be in place. 19 I would want to say in response to some earlier 20 discussion that the reason for this commission is to 21 challenge the recommendations of the Departments. It's not 22 to question judgment as much as it is to, I think, question</p>	<p style="text-align: right;">Page 88</p> <p>1 thought to this. This is our thinking. I can't give you a 2 guarantee. What I can tell you is those are our numbers, 78 3 percent after consolidation, these kinds of plans if we have 4 to meet surge. As I said before, surging is something that 5 the Army thinks a whole lot about. 6 COMMISSIONER CORNELLA: Thank you. I want to move 7 into another area, and that's ports. Defense officials, port 8 authorities and community groups have defended military 9 ownership of continental U.S. ocean terminals with the 10 arguments that the flexibility of staging on-site equipment 11 on short notice, the security of military property and the 12 capability to handle overweight, outsized and noncontainer 13 equipment give military ports unique advantages unavailable 14 at commercial ports. 15 Now, GEN Sullivan, a few moments ago you talked 16 about the importance of sustainment. I think sustainment 17 also plays an important part in ports, does it not, sir? 18 GENERAL SULLIVAN: Yes, it does, and if you -- 19 look, I'm one of the strongest supporters of retaining 20 Oakland. What you have is, as I'm sure you know, on the East 21 Coast and the Gulf ports, you have a lot of ports that we 22 can, in fact, outload outsized cargo tanks, Howitzers and so</p>
<p style="text-align: right;">Page 86</p> <p>1 the recommendations. If that was not necessary, I guess this 2 Commission would not exist. 3 Now, I would like to put up a slide that is not of 4 six months ago but is of less than or about two weeks ago. I 5 hope you can read it. It says "closing Red River and Letter 6 Kenny proposes unnecessary risks to concentrating all ground 7 combat workloads into Anniston." That quote is from Michael 8 Sandusky, Chief, Special Analysis Office, Headquarters, Air 9 Material Command. 10 I know we've been very careful here today to talk 11 about acceptable risks. I think there's a tremendous 12 difference between acceptable risk and unnecessary risk. So 13 could you respond to that slide, GEN Shane? 14 (A slide is shown.) 15 BRIGADIER GENERAL SHANE: Well, the first thing I 16 would say is I disagree with it. I think unnecessary is a 17 term that is subjective in nature and views one's own 18 personal opinion. Now, when we looked at that and we shared 19 that with Mr. Sandusky -- and we're very well familiar with 20 the 43 percent requirement for wartime requirements. I think 21 if you talked to him, what he would tell you is the fact that 22 there are surge capability at Anniston because -- that allows</p>	<p style="text-align: right;">Page 89</p> <p>1 forth and so on. 2 In my view, and the numbers show this, I believe, 3 it was prudent for us to close Bayonne. We didn't need 4 Bayonne. The West Coast is not quite as rich without ports 5 for any number of reasons, not the least of which is harbors, 6 which is really not my profession, but that's a fact on the 7 West Coast. Because of that, I felt we needed Oakland. 8 COMMISSIONER CORNELLA: When you say you didn't 9 need Bayonne, do you mean because of Sunny Point? 10 GENERAL SULLIVAN: I can use Sunny Point. I can 11 use Charleston, Savannah. We outloaded the 24th out of 12 Savannah, Charleston. We can use the Gulf ports, Galveston, 13 Houston, on and on and on, New Orleans. We've got 14 Jacksonville. I mean, there are a lot of ports that we can 15 use. The Marines have Blount Island. There's just a lot of 16 capacity. 17 COMMISSIONER CORNELLA: Now is there a problem, 18 though, getting into civilian port if no national emergency 19 is declared, not in the case of Haiti? 20 GENERAL SULLIVAN: Not in the case of Haiti. I 21 outload out of Savannah all the time, and we haven't had any 22 problem, Wilmington. The Marines, we're in and out of</p>
<p style="text-align: right;">Page 87</p> <p>1 us to do the workload that we have programmed. So that's my 2 comment. 3 COMMISSIONER CORNELLA: But now you can see through 4 the slide what we have to deal with. 5 MR. WEST: Commissioner, may I add a point? 6 COMMISSIONER CORNELLA: Yes, sir. 7 MR. WEST: Once we consolidate at Anniston, it is 8 our prediction it will operate at about 78 percent of its 9 capacity with just one shift working one normal eight-hour 10 day, 78 percent of its capacity. 11 COMMISSIONER CORNELLA: You mean after this -- 12 MR. WEST: After the consolidation. 13 COMMISSIONER CORNELLA: If the BRAC follows your 14 recommendations, it will still only be on one shift 78 15 percent? 16 MR. WEST: One shift, 78 percent of its capacity, 17 eight hours a day, five days a week. We believe it can 18 handle the wartime requirements of two MRCs by adding a 19 second shift with minimal overtime. We believe if we did 20 that we could actually exceed those requirements by expanding 21 to a seven-day operation. 22 Now, it seems to me that we've given a lot of</p>	<p style="text-align: right;">Page 90</p> <p>1 Wilmington and Savannah and Charleston all the time. 2 COMMISSIONER CORNELLA: Could I have the slide for 3 the 12 Division Force, please? This is the slide that we 4 were briefed by the Army in Oakland when we made our base 5 visit. It shows the 12 Division Force and we were given the 6 argument of the necessity of Oakland Army Depot because of 7 the deployment of the units out of Colorado, Fort Carson and 8 Fort Riley, Kansas. Now, as we go and have moved, you 9 mentioned a 10 Division Force. I'm not sure where they are 10 at this point, but could we have that slide? 11 (A slide was shown.) 12 GENERAL SULLIVAN: We'll be close to it. Only 10 13 percent of the Army, and, by the way, as you know, I'm sure 14 you know, we deployed about 300,000 to the Gulf four. Only 15 10 percent of what we shipped went through Bayonne. 16 COMMISSIONER CORNELLA: Well, there's a question. 17 I'm not really talking about Bayonne at the moment. I'm 18 talking about Oakland. A commission staff analysis of the 19 stationing plan for the 10 Division Army questions whether 20 Oakland Army Base will deploy any combat units of the 5-1/ 3 21 division power projection? 22 GENERAL SULLIVAN: Well, there's a lot of other</p>

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1 units other than divisions that would go. My hunch is -- not
2 my hunch is, but the facts are yes. We would sustain the
3 force as we have in the past out of Oakland. We would also
4 use Seattle-Tacoma and Long Beach. I'm not diminishing the
5 necessity for those ports, but those ports aren't under my
6 control. Oakland is. Oakland, as you know, was used as the
7 major receiving point for casualties in the last war in the
8 Pacific. So, in our judgment, Oakland is important.

9 COMMISSIONER CORNELLA: I believe that there is a
10 necessity sometimes to pay for readiness. Can you tell me
11 how many ships went out of Oakland and how many went out of
12 Bayonne in 1994? How many ships were sent out of those two
13 ports?

14 GENERAL SULLIVAN: I can't tell you. I'm sure I
15 could get it for you.

16 COMMISSIONER CORNELLA: I can tell you. I've got
17 it right here. You can check my figures for me. Out of
18 Bayonne 88 ships were deployed, and out of Oakland 16 ships.
19 Are the savings greater for closing Bayonne or for closing at
20 Oakland and closure costs? GEN Shane, do you have that at
21 your fingertips?

22 BRIGADIER GENERAL SHANE: I don't have that. I can

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1 provide it for the record.

2 COMMISSIONER CORNELLA: I think we're rapidly
3 running out of time, fortunately for some. Nothing was meant
4 by that. Don't misunderstand that, please. Talking about
5 Pickett, Indiantown Gap and Chaffee, 85 to 95 percent of the
6 reduction is going to be -- I should say 85 to 95 percent of
7 the infrastructure will be enclaved, condoned.

8 Isn't it true that the bulk of the savings will
9 come from personnel reduction not infrastructure reduction?
10 I know that's the desire of the Army to get out from
11 underneath that overhead. I mean, I think we've covered
12 that. Why weren't you able just to go through a manpower
13 reduction because you're under threshold, and address that?

14 BRIGADIER GENERAL SHANE: I'm not familiar with the
15 numbers of 85 to 90 percent retention of infrastructure with
16 regards to these installations. I think the agreement that
17 we had with the National Guard is we're going to reduce those
18 to the bare minimums that they need to perform the training
19 requirements. We're working to define, number one, the
20 training requirements and, number two, trying to decide
21 exactly what the divestiture level is going to be for those
22 installations.

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1 COMMISSIONER CORNELLA: But that would be the mass
2 on the installation, right, okay. Is there any intention, if
3 the Army moves to Missouri with Fort McClelland, is there any
4 intention to move from live agents to simulated agents? I
5 know that's been discussed. Are you considering that?

6 MR. WEST: I don't know the answer to that.

7 COMMISSIONER CORNELLA: Does that mean you have not
8 discussed it if you don't know the answer?

9 GENERAL SULLIVAN: I have not discussed it with
10 anyone.

11 COMMISSIONER CORNELLA: Okay.

12 GENERAL SULLIVAN: That doesn't mean that somebody
13 hasn't discussed it, but I haven't.

14 COMMISSIONER CORNELLA: I would just like to make
15 one last statement. In regard to the request that we have
16 only limited funds, you have to close these bases because of
17 that, I would say, this commissioner thinks, that if that
18 installation should not be closed, I'm sorry that the Army is
19 going to have to find some way to keep that thing open and to
20 pay for it.

21 That's not going to be our concern because I don't
22 necessarily feel that we were given the options to -- if we

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1 had another installation that we wanted to remove, that we
2 could take some off. We did not have those options in regard
3 to, for example, a maneuver base. If you had to make these
4 recommendations today, would there be any change on
5 consideration of one of the large active duty maneuver bases?

6 GENERAL SULLIVAN: No.

7 COMMISSIONER CORNELLA: Okay. Thank you very much
8 for your time.

9 CHAIRMAN DIXON: I thank you very much,
10 Commissioner Cornella. I apologize to the Army for running
11 over a little, although we're going to accommodate the Air
12 Force precisely on time. We thank you for being very
13 forthright in all of your remarks. Good luck to you, GEN
14 Sullivan.

15 GENERAL SULLIVAN: Thank you, sir. Thank you, Mr.
16 Chairman.

17 CHAIRMAN DIXON: We'll have the Air Force. God
18 bless you, General.

19 [Panel excused.]

20 CHAIRMAN DIXON: I have to request that the room be
21 cleared in a quiet and timely manner in order to keep on
22 schedule. Please clear the room in a quiet and orderly

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1 manner. Please discontinue visitation and clear the room in
2 a quiet and orderly manner, ladies and gentlemen, so that we
3 can accommodate, in a timely way, the distinguished Secretary
4 of the Air Force and the Chief of the Air Force and others.
5 Please clear the room.

6 Ladies and gentlemen, we will now hear from the
7 Secretary of the Air Force, Sheila E. Widnall. With
8 Secretary Widnall is Chief of Staff of the Air Force, GEN
9 Ronald R. Fogleman. We also have MG J.D. Blume, Special
10 Assistant to the Chief of Staff for Base Realignment and
11 Transition, and James Boatright, Consultant to the Secretary.
12 If the Air Force representatives will please stand
13 and raise their right hands, I'll administer the oath.

14 [Panel sworn.]

15 CHAIRMAN DIXON: May I ask if the group of you
16 would have any objection -- the time shown is 10:15 to 11:45.
17 We're getting started a little bit late -- if we run just a
18 few minutes late, but we will not impose into the lunch hour,
19 I assure you. We thank you all for being here.

20 Madame Secretary, on the part of the Commission, we
21 thank you for the fine cooperation of the Air Force
22 throughout this process. We are delighted, Madame Secretary,

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1 to recognize you again this morning. Secretary Widnall of
2 the Air Force.

3 SECRETARY WIDNALL: Thank you. Mr. Chairman,
4 members of this Commission, I appreciate the opportunity to
5 appear before you again to discuss the 1995 Air Force BRAC
6 recommendations. Since I was last here, I know that you and
7 your staff have been very busy with your review.

8 The Air Force has also been working steadily to
9 refine the cost and savings analysis associated with our BRAC
10 1995 recommendations and to provide you with updated covert
11 products and additional information. This further
12 consideration has reconfirmed my view that, with an exception
13 I will discuss later, the Secretary of Defense's
14 recommendations represent the best choice for reduction of
15 excess Air Force infrastructure, considering current and
16 future operational and fiscal requirements.

17 This morning I would like to focus on some of the
18 issues that have been raised by communities and your staff
19 regarding our recommendations. Because the Commission added
20 all five Air Force depot installations for consideration for
21 closure or further realignment, and because of the very
22 significant potential impact of that action, I will spend the

<p style="text-align: right;">Page 97</p> <p>1 majority of my time discussing depots. 2 Let me state at the beginning, I strongly support 3 the depot downsizing recommendations as the best and indeed 4 the only really viable course for reducing Air Force depot 5 infrastructure and excess logistics capacity. This 6 recommendation consolidates depot activities along the lines 7 of technical repair centers. It reduces infrastructure and 8 capacity, ensures future efficiencies and savings and, at the 9 same time, avoids the very significant one-time costs 10 associated with the closures of such large and complex 11 installations. 12 Additionally, it postures the Air Force well for 13 future privatization opportunities. Some have suggested that 14 the downsizing proposal achieves neither capacity nor 15 infrastructure reduction, but would simply result in empty 16 unused buildings on our logistic centers. That clearly is 17 not true. 18 Early in the process, the Air Force analysis 19 concluded that there is approximately one depot equivalent of 20 excess capacity and approximately one-and-a-half depot 21 equivalence of excess infrastructure measured by square 22 footage.</p>	<p style="text-align: right;">Page 100</p> <p>1 should not be assumed with the closure of an Air Force depot 2 because of the unique characteristics of those installations 3 and our workload. 4 First, depot-related positions typically account 5 for less than a third of the total population at an Air Force 6 depot installation. Operational missions, DOD and non-DOD 7 tenants and other Air Logistics Center functions account for 8 a large segment of our depot base population. The closure of 9 a depot activity by itself would not reduce the manpower 10 required for these other missions. 11 Second, we do not believe the wholesale relocation 12 of a depot workload would result in significant reductions of 13 even depot-specific manpower. Due to past workload 14 consolidation efforts at our depot, there is little redundant 15 execution of workload at the different depots. 16 As a result, most depot-related manpower positions 17 and equipment at the closed facility would have to be 18 transferred to a receiving depot. There would be manpower 19 savings related to overhead and management functions, but 20 they are already properly reflected in the Air Force 21 analysis. 22 Although the suggested use of higher assumed</p>
<p style="text-align: right;">Page 98</p> <p>1 Our site surveys have identified over a depots 2 worth of excess capacity that would be eliminated through our 3 recommendation. Infrastructure equivalent to one-and-a-half 4 depots has been specifically identified by building number 5 for elimination or potential reuse by other agencies. 6 As a result of the consolidation and downsizing 7 initiative, both capacity and square footage will be reduced 8 dramatically. The refined costs and savings estimates 9 provided to your staff, including some improved 10 consolidations, indicate a one-time cost of \$233.5 million, 11 annual savings of over \$92 million and a 20-year net present 12 value savings of \$973.3 million. 13 The consolidation recommendation also achieves 14 maximum commodity-specific efficiencies. By permitting us to 15 focus on individual commodity workloads and to consider their 16 best distribution throughout the Air Force, we have been able 17 to isolate and take advantage of efficiencies not available 18 with a total closure scenario. For example, McClellan has 19 the most modern state-of-the-art facility specifically 20 designed for repair of hydraulic components. 21 Under our recommendation, we will move hydraulic 22 work from two other depots into this facility and gain the</p>	<p style="text-align: right;">Page 101</p> <p>1 manpower savings may be appropriate for small, single use 2 depot maintenance facilities, this approach is most 3 inappropriate for the very large multifaceted missions 4 supported on Air Force logistic center installations. 5 Assumptions regarding manpower savings do not, in any event, 6 touch the fundamental concern we face in contemplating depot 7 installations closures, that is, the cost to close. 8 As I have previously discussed, the one-time cost 9 associated with the closure of the depot, even for the 10 various scenarios provided by your staff, are very 11 significant. Indeed, the least expensive scenario is priced 12 at over \$560 million. To understand the full impact of these 13 costs, it is important also to consider their distribution by 14 year. 15 The nature of BRAC actions requires that expenses 16 related to relocating missions and workload, such as military 17 construction, be incurred early to accommodate the necessary 18 mission relocation before a closure can take place. Our 19 current estimates of cost across fiscal years 1996 to 2001 20 compared to available budget resources indicates considerable 21 budget shortfalls in some years if the Commission approves 22 all of our original recommendations except the Kirtland</p>
<p style="text-align: right;">Page 99</p> <p>1 benefits of consolidation into this most efficient facility. 2 If McClellan AFB is closed, the entire hydraulics workload 3 will be moved to another depot without existing facilities 4 designed for this function, necessarily increasing the number 5 of people required for this specific work. We cannot achieve 6 this spectrum of Air Force-wide, commodity-specific 7 efficiencies if we close a depot and move every workload at 8 that depot to a new location. 9 The Commission staff has suggested the possibility 10 of substantially increased savings from depot closures if 11 greater manpower reductions and faster closure schedules are 12 assumed. They have suggested that the Air Force eliminates 13 only seven percent of depot positions in its closure 14 scenarios. That figure is incorrect. 15 When measured properly against depot-related 16 manpower authorizations, Air Force closure scenarios 17 eliminated between 12 and 15 percent of the total ALC 18 positions, including 20 percent of the overhead and over half 19 of the base-operating support positions dedicated to running 20 the installations. 21 More importantly, however, I want to stress that 22 greater manpower savings cannot be achieved and therefore</p>	<p style="text-align: right;">Page 102</p> <p>1 realignment. 2 Although we have sufficient funds to cover the 3 one-time costs associated with these closures and realignment 4 actions across the entire period, we have a shortfall in 5 fiscal years 1996 and 1997 ranging from \$50 million to almost 6 \$250 million each year. We will likely deal with these 7 short-term problems by delaying closure dates on certain 8 actions and thus moving expenses into later years where funds 9 remain. 10 We will not be able to do this if we have to close 11 a depot. If a depot base is closed, we will have a shortfall 12 across the entire period in excess of \$317 million. There 13 will be no reserve in the later years to solve the large 14 shortfalls in the early years. This problem would be further 15 exacerbated if your staff suggestion of accelerated closures 16 were followed, since more costs would be required in those 17 early years. 18 The closure of a depot would have dramatic adverse 19 impacts on our budget and necessarily draw essential funds 20 from top priority readiness, modernization and quality of 21 life initiatives that are so critical to our future Air 22 Force. Quite simply, the methods suggested to increase</p>

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savings and make a closure more attractive do not resolve our difficulties and do not make closure a fiscally viable or operationally attractive alternative.

I continue to believe that a dispassionate review of the proposed reductions in capacity, square footage and personnel, potential efficiencies and the necessary constraints imposed by operational and fiscal realities will lead you to the conclusion that the Air Force recommendation is the most prudent and cost effective alternative. I strongly support it, and I urge you to do the same.

I would like to turn briefly to the closure of Rome Laboratory. The refined costs presented to you as a result of our site surveys are the best estimates for implementing this recommendation and include appropriate calibration and installation costs. This action is cost effective and operationally sound with a reasonable payback of the investment within six years. The closure of Rome Lab is also an important step towards the broader goal of implementing cross service consolidation of laboratory assets.

The recommendation to close Brooks AFB is likewise sound and should be approved. The contention option proposed by the San Antonio community, from our perspective, is not a

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Force programming business. I think I understand out-year programs and I would tell you that, during the period of FY '96 to 2002, all the services are in a critical period in terms of limited procurement funds, overall DOD funding, but any additional funding that get laid in as a result of not considering the fiscal outcomes of base closure actions, I think, will have a tremendous impact on our program.

I think the Air Force has been at the forefront of DOD closure and realignment efforts. I've said before, since the 1988 Base Closure Commission, we've saved \$18 billion. That's 71 percent of all the DOD savings to date. We have a proven track record. I think we know how to do this.

Having said that, I would like to acknowledge, as the Secretary has, that the Air Force has worked with both DOD and the Commission to modify the SECDEF's original recommendations as a result of site surveys and further information. Particularly, the Secretary has mentioned Kirtland Air Force Base.

The other one that we have continued to look at is an outgrowth of the FY '93 BRAC, and that is the potential for realignment of the Air National Guard and Air Force Reserve Unit at O'Hare Field, in light of Air National Guard

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viable option. That proposal would retain a substantial installation without its own support establishment requiring cumbersome scheduling and travel for routine maintenance, personnel services and other normal day-to-day requirements.

The large number of personnel who would remain at Brooks would not receive adequate support. The recommendation to close Brooks AFB with the majority of its activities relocating to Wright-Patterson will achieve the long-term reduction in laboratory capacity and infrastructure we need for a reasonable investment.

As you know, the Air Force is proceeding to implement the 1993 BRAC recommendation to close Newark AFB and is pursuing an option of privatizing the workload. We have been advising your staff of the status of our efforts.

We will continue to do so and expect to provide additional information within the next week or so.

I understand there may be some confusion as to the Air Force position concerning the 1995 Secretary of Defense recommendation regarding Letter Kenny Army Depot. Let me make clear the Air Force is not seeking to have a share of the workload at Letter Kenny moved to the Ogden Air Logistics Center. The Air Force fully supports the DOD recommendation

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and Air Force Reserve recommendations, as part of this program.

My purpose in being here today, Mr. Chairman, is I want to express operational concerns over the expanded list of potential Air Force installations for realignment and closure. To one degree or another, I may be off-base here, but I think that --

CHAIRMAN DIXON: You're never off-base, General.

Tell it as it is.

GENERAL FOGLEMAN: Well, I tell you, Mr. Chairman, I don't think that the operational considerations were fully voiced strongly enough before the '93 Commission, and I think there was a mistake made as a result of that. It was a mistake that we chose to live with. It was the law of the land, and we have supported that. But I did not want to have anybody misunderstand where the operational Air Force was coming from on the issues that are here, and so that's why I am here today.

First and foremost, I'm deeply concerned over the addition of Grand Forks Air Force Base. Two of our unified commanders, CINCTRANS and CINCSSTRAT, have indicated the loss of this base would seriously impair their war-fighting

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and the enhanced cross servicing that it achieves.

As the Secretary of Defense has communicated to you, the recommendation to realign Kirtland AFB no longer represents a cost effective measure. With this one exception, I strongly urge the Commission to approve the Secretary of Defense's recommendations to close or realign Air Force installation.

I would like now to turn to GEN Fogleman to provide additional comments on various operational considerations related to the recommendations.

CHAIRMAN DIXON: And we thank you, Secretary Widnall.

We're delighted to have GEN Fogleman, Ron Fogleman, Chief of Staff of the Air Force, with us today.

GENERAL FOGLEMAN: Mr. Chairman, members of the Commission, thank you for inviting us here this morning.

The United States Air Force realizes that there's a need to reduce excess infrastructure if we're going to meet our security needs in the future, but we also think and believe very strongly that this action must be taken in a fiscally responsible manner.

I've spent a lot of years of my life in the Air

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capabilities. I think we owe it to them to give them their full support.

I'd like to provide you some background on this issue. I hope that it's not one of those "invented here" syndromes. But two years ago we began a rebasing effort, or a KC-135 fleet, to form core air refueling wings at Grand Forks, Fairchild and McConnell Air Force Bases.

We did that because the world has changed. The manner in which we have organized our forces has changed and the days of penny-packet KC-135 outfits being co-located with bomber outfits, that's Cold War stuff. We're in a new environment. We restructure.

We carefully organized and located these larger wings to realize economies of scale in operations, logistics, organization in wartime as well as peacetime missions requirements. I think the actual operations at Grand Forks over the past year-and-a-half have confirmed these advantages.

Moreover, the base possesses unique attributes that enhance its value as a core tanker wing. It offers some of the best infrastructure in the Air Force for large tanker fleets, including a very modern hydrant refueling system, a

<p style="text-align: right;">Page 109</p> <p>1 large ramp, and a recently resurfaced runway. 2 Its north central location readily supports our 3 nuclear deterrent posture and our global crisis response 4 capability, plus it offers the ability to economically 5 service northern air refueling tracks in essentially 6 uncluttered air space. 7 Closing Grand Forks would eliminate these benefits 8 and it would add turmoil to our tanker force, which has 9 suffered in the closing and realigning of 12 tanker bases 10 since the initial BRAC in 1988. Last summer I had 67 percent 11 of the Air Refueling Force in PCS status as a result of that 12 realignment. 13 We have now come to closure on these core bases, 14 and so a decision to blow up one of these core bases and 15 start to move those assets around will not only have a 16 negative impact, operationally, but it will also impact 17 adversely on our people, who have been drawn through a 18 knothole in this business. 19 My second concern is that of looking at Guard and 20 Reserve activities in base realignment and closure. Again, I 21 think the Air Force track record in total force utilization 22 of Reserve and Guard forces is unequalled. We've spent a lot</p>	<p style="text-align: right;">Page 112</p> <p>1 operations around the globe, and so that's why I would 2 strongly urge you to impact no more than one F-16 and one C- 3 130 Reserve out there. 4 I would tell you that I share Secretary Widnall's 5 fear that attempting to fix our excess capacity with depot 6 closures would be extremely costly. I think it would 7 adversely impact Air Force readiness and modernization 8 efforts, particularly if we tried to accelerate such an 9 effort. 10 In particular, we have come to rely increasingly on 11 rapid depot-level repair and return capabilities under our 12 so-called lean logistics program, which is a model program 13 for DOD. It has allowed us to significantly reduce the size 14 of our installation intermediate-level repair shops and 15 enhance the deployability of our combat units. 16 Consequently, I will tell you that the entire Air 17 Force senior leadership supports Air Force depot downsizing 18 as the best recommendation of this action. I bring this up 19 intentionally, because there's apparently some word out there 20 in the street somehow that there is a division between the 21 senior Air Force leadership, that the blue-suiters may not be 22 supporting this. In fact, a couple of my four-stars have</p>
<p style="text-align: right;">Page 110</p> <p>1 of time and effort making this work. 2 In all deference to one of your commissioners, he 3 played a role. Commissioner Davis had me assigned to the Air 4 Reserve Personnel Center as a youth, and I had the 5 opportunity, as a young major, to learn a little bit about 6 Air Reserve Personnel activities. 7 I learned the importance of knowing the 8 demographics and the connectivity to communities and, as I 9 have grown up in our Air Force, I have come to appreciate 10 that one of the reasons that these Guard and Reserve units 11 can contribute so much to active duty Air Force day-to-day 12 operations is because of their ties back to those 13 communities. 14 The Air Force Reserve and the Air National Guard 15 are experts on demographics, basing, and recruiting, and so I 16 think we should pay attention to them when they speak on 17 these issues. I think they have come forth, and we've played 18 in a forthright manner during this operation. 19 So I would strongly urge that we support GEN 20 McIntosh's recommendation that we close no more than one F-16 21 and one C-130 Reserve outfit. 22 Now, the opportunity to inactivate a Reserve unit</p>	<p style="text-align: right;">Page 113</p> <p>1 been named by name as recommending to the Commission some 2 other activity. 3 I will tell you, unless you know something I don't 4 know, I spoke to both of those gentlemen -- one within the 5 last 24 hours, the other within the last 30 minutes -- and, 6 as we confirmed last week when we got together at the Four- 7 Star Corona, the Air Force senior leadership supports our 8 approach to this depot downsizing. 9 The last issue I'd like to talk about is, I would 10 like to reconfirm our recommendation for closure of no more 11 than a single undergraduate pilot training installation. 12 That is, Reese Air Force Base. 13 Air Education and Training Command is determined 14 that we have excess capacity of one undergraduate pilot 15 training base in the near term and, based on our assessment, 16 if the Air Force must close a UPT base, we think Reese is the 17 right installation to close. 18 I understand this recommendation has been supported 19 by every analysis performed by your staff, the air staff, the 20 Joint Cross-Service Group for Undergraduate Pilot Training. 21 We should be able to meet our anticipated pilot production 22 requirements during the FYDEP with one less UPT installation</p>
<p style="text-align: right;">Page 111</p> <p>1 at O'hare International represents a good solution, perhaps, 2 to the C-130 portion of this equation. We had originally 3 recommended looking at Pittsburgh as the closure but, as we 4 moved forward in our negotiations with the City of Chicago, 5 it now appears as though there may be a solution on the 6 horizon where closing the C-130 unit at O'Hare and moving the 7 KC-135 Air National Guard unit down to Scott Field would work 8 out to everyone's benefit and allow us to go back and clean 9 up some FY '93 or '93 Commission activities. 10 On the other hand, I disagree with any action that 11 would result in the inactivation of the Reserve F-16 unit at 12 Carswell Field. Co-location of the Navy and Air Force Reserve 13 operations at this location, as per the '93 BRAC Commission 14 recommendation, I think has paid off very, very well. 15 For the Air Force Reserve, this represents a very 16 cost-effective tenant operation in a location that has both 17 great recruiting and retention activities. The unit's 18 location on a military installation will result, I think, in 19 few savings to DOD from its inactivation. 20 Remaining Reserve unit are really necessary to 21 flesh out our Air Force force structure required to sustain 22 the growing Reserve contribution to the Air Force contingency</p>	<p style="text-align: right;">Page 114</p> <p>1 as our joint pilot initiatives begin to mature. 2 The United States Air Force is going to increase 3 its pilot production 52 percent between 1996 and the year 4 2002, and we have looked closely at this, because we have had 5 some concerns about the rate at which JPAT aircraft would 6 come on, some of the other assumptions that might be made 7 but, at this point, we think that this is a reasonable risk, 8 if you will, to continue with our recommendation and, if we 9 are to close a UPT base, we support our original analysis. 10 As I conclude, Mr. Chairman, I tell you, I think 11 it's important again that I remind the commissioners that I 12 recused myself from considering both small aircraft bases and 13 laboratories, based on a ruling by our general counsel. So, 14 with this overview, sir, I am prepared to answer your 15 questions. 16 CHAIRMAN DIXON: Thank you very much, GEN Fogleman 17 and Secretary Widnall. 18 The Chair has to answer several phone calls out 19 here. I'm going to ask my colleague and friend, GEN J.B. 20 Davis, to chair in my absence. 21 COMMISSIONER DAVIS (presiding): A terrible 22 responsibility, to be the first questioner and the Chair, at</p>

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1 the same time.

2 I very much appreciate the statements of the
3 Secretary and the Chief, and I think your positions are very
4 clear in that process. I will deal probably with just two
5 subjects, making sure that I don't hog all the time on Air
6 Force issues.

7 Madam Secretary, your position on the depots has
8 been very consistent and very clear, and I would hope maybe
9 you would indulge me a little fantasy here, or what-if,
10 because the questions keep coming, and we're certainly
11 responsible not only to our own conscience, but to the
12 congressional delegations and the communities.

13 If we were to close one depot -- it doesn't make
14 any difference, the cheapest one to close -- let's just take
15 that for an example. It doesn't make any different which one
16 it is. What would that do to your out-year budgeting? You
17 stated that there would be some shortfalls, but what impacts
18 would that have and what kind of things would you have to do
19 to your budget to manage that process?

20 SECRETARY WIDNALL: Well, I think, as I stated in
21 my testimony, even excluding the whole issue of environmental
22 costs, which is a complexity, we're talking about shortfalls

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1 on the order of \$320 million.

2 As we move into this, I would say, very uncertain
3 budget climate that we see before us, I think our goal is to
4 keep our significant modernization programs on target, while
5 providing today's readiness and quality of life. Even in the
6 best of circumstances, we think this is going to be a tough
7 challenge. To be faced with a shortfall on the order of \$320
8 million over this is simply going to make this much more
9 difficult.

10 COMMISSIONER DAVIS: And specifically, what
11 accounts would you at least take a look at?

12 SECRETARY WIDNALL: Well, I'm not prepared to kind
13 reprogram here on the spot. Actually, the Chief has had a
14 lot more experience with that. I don't know if you want to
15 try to respond to that question. We would need to look at
16 it; that's clear.

17 GENERAL FOGLEMAN: I would only say this, that, in
18 near term, the kinds of dollars we end up talking about are
19 O&M funds, and O&M funds are directly related to readiness.
20 So, if you start looking for \$300 million in the O&M account
21 in the near term, you could come up with all kinds of
22 examples of how many flying hours does that equate to, how

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1 much RPMA is that for bases that will not get to go in and
2 repair facilities, et cetera.

3 Then, if we're responsible, if we're forced into
4 this, what we will have to do is, rather than sit here every
5 year and have this cascade of unfunded O&M fall on us, and
6 try to fix it in the execution year, we sit down and we'll
7 program that out. And the way you end up doing it is, you
8 end up looking at all your programs and, in all likelihood,
9 procurement is going to end up being impacted by this.

10 \$300 million is about the kind of money that you
11 spend on, totally on JPATs in one year; it's the kind of
12 money that we spend on our precision munitions programs; it's
13 about the magnitude of the money that we'll be spending on
14 the conventional munitions upgrade program for the B-1
15 bomber.

16 So it's hard to say, "Yes, I'm going to trade this
17 off or that off." What you end up doing is, you go in there
18 and, in an era in which we're supposed to be recapitalizing
19 the force, you just end up pushing that further out to the
20 right and the people end up operating either in less than
21 optimum facilities or with less than modern equipment.
22 That's the kind of impact.

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1 SECRETARY WIDNALL: And, of course, for us the
2 bottom line is that we view this as a totally unnecessary
3 expenditure that does not provide any real value for the Air
4 Force.

5 COMMISSIONER DAVIS: Yes, ma'am. So you would
6 probably characterize it as at least painful, if not very
7 painful?

8 SECRETARY WIDNALL: Yes, I would say very painful.

9 COMMISSIONER DAVIS: Then, there is kind of a
10 folklore out that the Air Force could, in fact, close two
11 depots and still --

12 (Laughter.)

13 COMMISSIONER DAVIS: How would you characterize
14 that?

15 SECRETARY WIDNALL: It's ridiculous.

16 COMMISSIONER DAVIS: Thank you, Madam Secretary.

17 SECRETARY WIDNALL: Maybe we should talk a little
18 bit about how we actually measure capacity. There is the
19 statement that we have an "excess capacity of one-and-a-half
20 depots." What that means is square footage and work
21 stations.

22 I want to make it very clear that we do not have

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1 extra people. One of the reason why our direct labor shows
2 so small a savings when we talk about realigning depots is
3 that we have already taken the people. We have downsized the
4 workforce at our depots 28 percent since, say, 1986, if
5 that's a reasonable base year.

6 So, when you start looking for "personnel savings"
7 as a result of capacity reductions, those people aren't
8 there. When we talk about capacity reductions, we're talking
9 about work stations and buildings which, under our proposal,
10 we fully intend to get rid of and downsize.

11 I guess I also want to emphasize that we believe
12 this proposal sets us up for future realignment under the new
13 leadership that is coming into AFMC and also for some
14 privatization initiatives. We intend to continue to be
15 creative at reducing Air Force infrastructure and we think
16 this depot proposal sets us up to be able to do that over the
17 coming years.

18 GENERAL FOGLEMAN: Mr. Chairman, could I comment
19 just on the depot thing?

20 COMMISSIONER DAVIS: Yes, sir.

21 GENERAL FOGLEMAN: I very much appreciate the time
22 that the commissioners have spent out there looking at our

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1 installations. Anybody who has been to one of our air
2 logistics centers and characterizes it as a depot hasn't been
3 looking around, and I don't think that's the case with the
4 commissioners. I think there's a lot of people that
5 characterize it that way because they've never been there.

6 Our air logistics centers are megabases. You know
7 that. In fact, they are the kind of installations that this
8 Commission is trying to get us to build. They are trying to
9 get us to put more than one activity, maximize the use of
10 ramp space, et cetera.

11 We have done that in the past and, as I tried to
12 say before the Commission in the past, this isn't a case of
13 the arsenal by Fort whatever, at Window Rock. This is a
14 megabase that has been built over time as a result of past
15 base closure activities. We've consolidated on there.

16 That's why we have so many tenants that need to be moved.
17 That's why we have operational missions on these bases.

18 And, as you know, when you start getting down to
19 the depot part of that, it becomes a very small part of these
20 installations. I just hope that, as a result of the
21 commissioners' visits out there, that that's come through
22 loud and clear.

<p style="text-align: right;">Page 121</p> <p>1 COMMISSIONER DAVIS: I very much appreciate you 2 giving me the latitude to play some what-ifs because, 3 clearly, we need to hear the views of the Secretary and the 4 Chief on that subject, because it's been a very difficult 5 subject. 6 The last subject area I'm going to deal with is 7 UPT. GEN Fogleman and I, in a previous life, spent a lot of 8 time in UPT and working the models to sort of describe what 9 our out-year UPT requirements are and, as GEN Fogleman knows, 10 especially as the commander of AMC, the vagaries of those 11 figures sometimes depend on a lot of things such as the pilot 12 retention rates, increased airline hiring, the requirements 13 for the Air Force Reserve, because they account for certain 14 folks coming out. 15 And every time I get ready to say that we ought to 16 close a UPT base, my palms start to sweat, simply because I 17 was in that UPT buildup when we went from non-Vietnam to 18 Vietnam and found out that in the first year it cost us more 19 pilots to increase our capacity, because we had to open up 20 capabilities that we did not have. 21 You state in your statement that, in fact, Air 22 Training Command has -- and you've looked at, it and I know</p>	<p style="text-align: right;">Page 124</p> <p>1 think we can do it within the FYDEP and meet the build up 2 that we have planned." And it is required, as a result of 3 how much we throttle back. You know the dynamics. 4 Beyond that, it gets very soft, out beyond 2002, 5 looking at what our requirements are across the force, but we 6 do know, specifically, Guard and Reserve requirements are 7 going to go up. 8 COMMISSIONER DAVIS: I have one other question on 9 UPT, and I'll submit that for a formal answer. I'm drunk 10 with power with this Chair. I've exceeded my time and so 11 I'll have to pass. 12 I'm going to deviate slightly and go to 13 Commissioner Kling, because he has an appointment at 11:15, 14 and then I'll come back to my right. 15 COMMISSIONER KLING: Thank you. You know, I've 16 still got a problem with this depot issue, and I'm sure you 17 realize that a lot of us do, and I'm not trying to be 18 obnoxious with it or anything you want to say. 19 But, Secretary Widnall, you testified that the 20 biggest factor in closing an air logistics center is the 21 initial up front cost and the involvement there. 22 SECRETARY WIDNALL: Mm-hmm.</p>
<p style="text-align: right;">Page 122</p> <p>1 it's not just AETC, but it happens to be XLO, when some other 2 folks have looked at it. 3 How confident are you that, if we close a UPT base, 4 that we will have sufficient capacity -- You stated that we 5 will increase significantly in the out years -- if a surge 6 would be required, and if we did not continue on, if we had 7 some halt in the jointness of our UPT? Can you give us your 8 views on that, Chief, please? 9 GENERAL FOGLEMAN: Well, again, I tried to very 10 carefully craft my words there, that I think, within the 11 FYDEP, we will probably have the capacity, but it's based 12 upon some assumptions about doing business differently than 13 we do today. 14 It assumes, for instance, that the pilot bonus 15 program continues, as it is today, and it's a program that we 16 have to come fight for and revalidate every year. If that 17 program goes away, then our retention rates are going to go 18 down. 19 It assumes that there is no great increase in 20 airline hiring, that we sort of stay with what we've been 21 through here recently in steady state. There are those who 22 will tell you that the airline business is about to reach a</p>	<p style="text-align: right;">Page 125</p> <p>1 COMMISSIONER KLING: And yet, Secretary Perry 2 recently, in his decision to withdraw the recommendation to 3 realign Kirtland, that really freed up about \$270 million -- 4 278, I think, to be exact -- in closing costs, up front, and 5 adding this amount to the 127 million currently projected as 6 the cost of closing an Air Force depot, really would provide 7 \$405 million of up front costs available right now, or 70, 80 8 percent of what you have. 9 Wouldn't this have some bearing on how you look at 10 closing a depot, in light of your statement about the up 11 front costs? 12 SECRETARY WIDNALL: I believe the number that I had 13 in my testimony is that we would still be short roughly \$300 14 million. But I guess one of the ways I look at it is there 15 are actually a lot of similarities between the reason why 16 Kirtland was too expensive to close and why a depot is too 17 expensive to close. 18 It has to do with the big MILCON bill for moving 19 tenants and moving activities. The earlier Air Force 20 successes in BRAC -- which, as the Chief mentioned, we are, 21 to date, responsible for 70 percent of the DOD savings in 22 BRAC -- a lot of that had to do with the fact that we were</p>
<p style="text-align: right;">Page 123</p> <p>1 drop-off point in their senior captain ranks, but it's a 2 little bit like the mythical shortfall in pilots -- it's 3 always another year out. 4 One of the very concrete things, though, that does 5 give me concern, and it falls slightly outside the FYDEP, is 6 the fact that, in order to sustain our Air National Guard and 7 our Air Force Reserve units, today roughly 50 percent of all 8 of our aviators that leave active duty sign up with the Air 9 National Guard and the Air Force Reserve; so that keeps their 10 requirement for initial pilot training lower. 11 They are starting to see some drop-off in those 12 numbers and have, in fact, within the FYDEP, come in and 13 asked for additional pilot training slots. We have been able 14 to accommodate those within the FYDEP. 15 But, in the year 2003 and beyond, because we have 16 been producing so few pilots in the early 1990s, if the Air 17 Reserve and the Guard were able to capture 100 percent of all 18 pilots leaving active duty, they would not be able to fill 19 their cockpits, and they will have to come for more pilot 20 training. 21 Now, I've probably just confused the picture more, 22 but it's within those assumptions that we say, "Okay, we</p>	<p style="text-align: right;">Page 126</p> <p>1 closing force structure bases at the same time we were 2 drawing down force structure, so we did not have a big MILCON 3 bill to transfer force structure to another base. 4 As we looked at the Kirtland realignment, a lot of 5 the expenses -- really, the majority of the expenses -- had 6 to do with building new facilities for tenants on that base 7 who were perfectly well-housed where they were, and that's 8 true at a depot as well. 9 As the Chief mentioned, I think, there are three 10 types of personnel who are on a typical air logistics 11 organization: 12 There are the people who do the actual depot work. 13 There are the people who do the air logistics work, which is 14 the inventory, the parts, and all of that. Those two 15 together represent, say typically, 50 percent of the base 16 personnel. 17 And then there are the tenants, and these tenants 18 are just an incredible variety of units. They have 19 facilities requirements. They use big simulators. They have 20 good facilities. So one of the fundamental bills you have to 21 pay is the big MILCON bill for moving these tenants, as well 22 as for moving the specialized equipment that each individual</p>

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depot has for doing the kind of work that they do. vOB

Our conclusion is that that simply does not make sense, that there are other ways to use those resources -- the downsizing in place, the sort of ridding oneself of excess buildings, setting it up for future downsizing, which we intend to pursue aggressively over the years ahead, and also gives us a base to explore the use of excess facilities by the surrounding civilian community.

Much of the work that we do in our depots is obviously aviation related. There's a big aviation community out there in the civilian world. There may be some opportunities at some of these installations to do public-private partnerships that would allow us to get some of our work done by the private sector, in new relationships, as the Roles and Missions Commission has recommended, and also to provide facilities for those private sector partners to do work for the civilian world.

So we see a lot of opportunities. What doesn't make sense to me is simply replicating really good facilities at other installations.

COMMISSIONER KLING: I understand the up front costs are the big thing, of course, and we do have some

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figures, though, that we're working up that show that the savings are really quite, quite substantial and very, very material, on closing the base.

And, you know, I've visited, I think, every one of the depots, and every time I went to some, I saw a plating operation, I saw a painting operation, I saw a machine shop, and I recognized and I also saw a specialized hydraulic unit at one place, and so forth.

But common sense kind of tells you that we don't need all those plating and machine shops in some of those operations. That's where I come from.

SECRETARY WIDNALL: That's right.

COMMISSIONER KLING: I also know of an instance recently of a company that has a fulfillment center and a depot operation -- a service company. They bought another company that had the same types of operation, that was losing a lot of money, but they bought it knowing that they would be able to close that one down and move it into this one, taking a loss of millions to making a profit of millions. And that's really kind of what we're looking at.

I know we can argue that, but that's where I come from.

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SECRETARY WIDNALL: Let me just respond that your example, in fact, characterized the essence of our proposal. We do intend to combine like facilities.

Our consolidation is oriented to avoiding duplication, consolidating like workloads at single facilities -- the one that it makes the most sense. That's not without cost. We estimate an investment of over \$200 million to accomplish that, but a net present value in savings of close to \$1 billion.

COMMISSIONER KLING: The overhead costs, by closing entirely, there's an awful lot saved. You know, we can argue that, I'm sure, different ways, and I appreciate your comment, but let me just ask you another question.

If we were going to suggest the closing of a depot, do you stand by the Air Force's tiering evaluation? If we were going to recommend that a depot close, would you stand by the tiering evaluation, presently?

SECRETARY WIDNALL: I suppose it depends a little bit on how you view the purpose of the tiering.

CHAIRMAN DIXON: May I interrupt, Madam Secretary?

SECRETARY WIDNALL: Mm-hmm.

CHAIRMAN DIXON: Could we put that graph up on the

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1 screen?

2 SECRETARY WIDNALL: Mm-hmm.

3 CHAIRMAN DIXON: The chart that has the tiering evaluation -- do we have that here? Apparently we do not have that one.

6 SECRETARY WIDNALL: I think I sort of know this by heart. Let me just make a few points about the tiering.

8 First of all, it's important to remember that the tiering basically is a good, better, best sort of tiering, that there is no bottom, in the sense that they're alphabetically listed. I believe we had two air logistics centers in the bottom tier.

13 I would say that the tiering, to me, represents what I would say is the platform for judgment, that you take the tiering and then you begin to apply some judgment. We never just cut through and simply checked off things in the lower tier and said "That's our list." We always applied judgment -- operational considerations, environmental concerns, and the specifics of what was actually going on in an installation.

21 So I guess the answer to your question is, of course I support the results of the Air Force analysis that

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1 allowed us to identify bases that were in the bottom tier, but it is only the beginning of our process, it's not the end of it.

4 COMMISSIONER KLING: Thank you. Just a last -- can I have one fast question?

6 If you turn to Brooks Air Force Base, and we were looking at that there's a one-time cost to close Brooks of \$211 million and a savings of \$32 million.

9 And, if you would consider even the cantonment suggestion of the community, the cost to close goes down to \$11 million and the annual savings goes down from 32 to 17 but, if you took that money and applied that large up front money again to closing a depot, and applying it there, you would well have covered your cost of closing one depot from the budget standpoint and you would still have materially, materially higher savings; and I guess that's where we're coming from.

18 SECRETARY WIDNALL: Let me make a remark about that. I'm not sure --

20 COMMISSIONER KLING: Excuse me. The only reason I say that is Brooks is certainly a fine operation there, and it's something we can all be proud of, I'm sure.

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1 SECRETARY WIDNALL: Right. And, of course, our depots are also fine operations.

3 COMMISSIONER KLING: You better believe it.

4 SECRETARY WIDNALL: And I guess, in the case of Brooks, we see some real synergism within the scientific communities at Wright-Patterson and Brooks that will be gained if we move those researchers to a single place.

8 We also see some quite substantial problems associated with the cantonment, which I indicated in my opening statement. So that is a proposal we do not support.

11 MR. BOATRIGHT: If I could just add one additional comment there, with the cantonment, we don't close anything.

13 CHAIRMAN DIXON: Thank you very much, Commissioner Kling. Have you concluded?

15 COMMISSIONER KLING: Yes, I think so.

16 CHAIRMAN DIXON: Commissioner Cox.

17 COMMISSIONER COX: Thank you very much. GEN Fogleman, I really didn't mean to get into UPT bases, but if I could just follow up and ask for some information for the record, I'm concerned that your comment that one of the assumptions that you're using in believing that you have enough capacity in UPT bases even if you closed one is based

<p style="text-align: right;">Page 133</p> <p>1 on the last, I think you said, couple of years' retention 2 rate as to commercial airline hiring. 3 As you undoubtedly know, the airline industry has 4 lost \$13 billion in the last five years. We didn't do too 5 well in the year or two before that. We have virtually hired 6 no one in the last five years and very few in the couple 7 years before that. 8 I'm concerned that if your retention rate is based 9 on us only hiring the amount of pilots we've hired in the 10 last five, seven, even ten years, that it may not be 11 realistic. The FAA, as you know, predicts an enormous 12 increase in pilot hiring, in every year for the foreseeable 13 future. I don't know if that's true or not, but that's their 14 prediction. 15 So I would be interested if you would provide for 16 the record what those retention rates are that you're using, 17 how much, what would be the impact on capacity if the FAA 18 projections for airline hiring are, in fact, true and if we 19 use sort of pre-1989 commercial airline hiring from the DOD. 20 I was at the Department of Transportation for many 21 years when the DOD was terribly concerned that the commercial 22 airlines were benefitting from your training of pilots, and I</p>	<p style="text-align: right;">Page 136</p> <p>1 GENERAL BLUME: Yes. 2 COMMISSIONER COX: I am concerned, because I have 3 an R&D budget item justification sheet for the satellite 4 control network, and it was in a 1994 study which I 5 understand, in some ways, is overtaken by events. 6 However, what it shows is that basically, between 7 1994 and the year 2001 and continuing after that -- 8 indicating that the R&D will not be complete even in the year 9 2001 -- roughly \$1 billion being spent on this system. 10 I'm not sure that that's not inconsistent with the 11 "We already know where we're going and we'll have completed 12 it in the year 2001." I just want to ask you to comment on 13 that. Maybe this is a different program. Why don't I just 14 give you a copy of that? 15 GENERAL BLUME: I can't comment on that specific 16 thing, but I would like to have it, and will look at for the 17 record. 18 COMMISSIONER COX: I'll be happy to send that to 19 you for the record. 20 Then moving on, just to also point out that the 21 decreasing cost savings that COBRA changes from you all on 22 Onizuka, as I understand it now, get the annual savings down</p>
<p style="text-align: right;">Page 134</p> <p>1 think the commercial airlines appreciated that then and may 2 well in the future. 3 So if you wouldn't mind providing that for the 4 record, that would be helpful. 5 GEN Blume, I would like to ask you some questions 6 about Onizuka. I understand that you all have proposed 7 realigning Onizuka at this moment, and are not proposing 8 closing it, for a variety of reasons. 9 One of those reasons is that you agree that we 10 should have dual-node capacity and you're leaving the 11 facilities there for a period of time while you develop a 12 dual-node capacity that could be used at Falcon, and that 13 that dual-node capacity includes networking dual-node 14 capacity as well. 15 When would you believe that you would have the 16 dual-node, single-site capacity available at Falcon, or in 17 some other form? 18 GENERAL BLUME: First, let's say that we feel 19 strongly that a dual-node control satellite node has been, 20 during the Cold War, a reality and a necessity, but it will 21 not be required in the future. 22 As you recall, in the briefing that you and I both</p>	<p style="text-align: right;">Page 137</p> <p>1 from 30 million to about 16.1. Is that the COBRA numbers are 2 those just our numbers? 3 GENERAL BLUME: That's right. The recurring 4 savings is 16.1. 5 COMMISSIONER COX: Great. Thank you very much. 6 Other savings numbers that have changed -- and, Mr. 7 Boatright, maybe this is your area -- the most recent Air 8 Force estimate for the one-time cost to close the Rome lab 9 has increased from \$52.8 million to \$79.8 million. Our own 10 Commission estimates estimate that cost at about 118.6 11 million. 12 Assuming we're right, the Commission estimates 13 versus your latest estimates, which have come up as well, we 14 also reduced the annual savings from about \$13 million to 15 \$5.9 million, and that increases the return on investment 16 period from 6 to 31 years. 17 Presuming we're right for a minute -- and I 18 understand that you don't necessarily presume that we're 19 right -- would you want to close, based on a 31-year return 20 on investment? Would you still recommend that? 21 MR. BOATRIGHT: I would tell you that a 31-year 22 return on investment is not a good return on investment. I</p>
<p style="text-align: right;">Page 135</p> <p>1 sat in, the communications function of that capability will 2 be retained at Onizuka as long as required to support the 3 tenants that are there. The dual-node capability will not be 4 required at the closure of, or, excuse me, the realignment of 5 Onizuka. 6 Therefore, this architecture, the communications 7 network architecture that you're referring to will come on- 8 line about 2002, 2004, and it will be in effect at that time; 9 and that will negate the requirement for even the 10 communications portion of the dual capacity. 11 Now, there will be a single node at Falcon Air 12 Station. 13 COMMISSIONER COX: But we will have the ability for 14 a redundant system, I guess you're saying, by the year 2001, 15 2002? 16 GENERAL BLUME: That's right. It wouldn't be dual, 17 it will be multi-faceted, yes. 18 COMMISSIONER COX: Right. And let me just ask you 19 a question, because my understanding had been that you were 20 working toward that and that, in fact, those costs were, to 21 a great extent, already accounted for and, therefore, were 22 not in our COBRA costs, obviously.</p>	<p style="text-align: right;">Page 138</p> <p>1 would tell you that we strongly disagree with the cost 2 numbers and the savings numbers you're using. 3 We have gone through these numbers very, very 4 carefully. We've done site survey up there. We're very 5 comfortable that we, in fact, can carry out this closure 6 action with the costs, and we'll realize the savings that we 7 have projected. 8 We believe that it's still a very cost-effective 9 proposal. From an operational standpoint, it is one of the 10 few actions that's being taken that is truly consistent with 11 the cross-servicing that we're trying to achieve within the 12 Department. We think that's a very important consideration 13 here. 14 COMMISSIONER COX: And we appreciate the work that 15 you all have done with us to go through these numbers and the 16 fact that you have changed them where you believed there were 17 changes necessary and, obviously, that process will continue 18 right up through June 22nd. 19 MR. BOATRIGHT: One other correction, if I could. 20 You gave us a number that indicated that our cost of closure 21 was 79.8. 22 COMMISSIONER COX: That's the number I have.</p>

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MR. BOATRIGHT: I think it's 79.9 is the number
that I have.

COMMISSIONER COX: Okay. I'll check, on that.
Two other just real quick questions, to follow upon
some information that we've seen.
Secretary Widnall, if the Commission does reject --
which is purely hypothetical at the moment -- the
recommendation to close Reese Air Force Base, for whatever
reason, do you believe that we should close another Air Force
Base or would you recommend that we simply not close one?

SECRETARY WIDNALL: I would recommend that you not
close one.

COMMISSIONER COX: Not close one at all? Thank
you. And then, in sort of the same vein, GEN Fogleman, if we
do not close Bergstrom Air Force Base as recommended, or
Reserve Base, as recommended by the Air Force, would you
recommend that we close an alternative or that we not close
any?

GENERAL FOGLEMAN: Well, the problem that the
Reserve is they have a force structure in the fighter
business that's coming down. They have to close a fighter
unit.

COMMISSIONER CORNELLA: You even have concerns,
though, about closing one UPT base?

GENERAL FOGLEMAN: I have signed up to, and the Air
Force and the ATC has signed up to, closing one UPT base,
because we think we can meet the requirements within the
FYDEP, as I've said for our people, with the assumptions,
again, that I have agreed to provide to Commissioner Cox.

COMMISSIONER CORNELLA: We've all heard arguments
that downsizing saves more money than closing, and I will
add, in some instances, have you ever considered that for UPT
bases?

GENERAL FOGLEMAN: I think there's a different util
involved in UPT bases.

COMMISSIONER CORNELLA: Secretary Widnall, in your
opening statement I believe you mentioned that the 7 percent
that was figured was across all tenants, not just the ALC
personnel or the depot personnel.

SECRETARY WIDNALL: Right.

COMMISSIONER CORNELLA: Can you tell us what the
percentage is of depot personnel?

SECRETARY WIDNALL: If you count ALC personnel,
which is both the ALC part and the depot part, it's a number

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COMMISSIONER COX: And if we didn't close
Bergstrom, how would you accomplish that? Would you want us
to close something else?

My understanding, for example, is that MG McIntosh
has said that if Bergstrom is not closed, the Air Force will
use its own conversion actions to meet the F-16 program and
presumably would prefer that they do it that way, rather than
we close Dallas-Forth Worth, Carswell, or Homestead. Would
you concur with that?

GENERAL FOGLEMAN: Yes, I would.

COMMISSIONER COX: Thank you very much.

CHAIRMAN DIXON: Thank you very much, Commissioner
Commissioner Cornella.

COMMISSIONER CORNELLA: Thank you, Mr. Chairman.
General Fogleman, I know we've had some discussion
on UPT. I'd like to continue along those lines, if we could.

You mentioned the JPATS, and I'm not sure we mentioned the
JPATS in regard to the Navy's training requirement, but I've
been told that, if a turbo jet aircraft is chosen for the
JPATS aircraft candidate, instead of a turbo prop, that the
Navy's primary training capacity would be reduced.

Would you be prepared to absorb additional primary

in the range of 12 to 15 percent, so it is certainly in the
ballpark of other large depot closures by the other services.

Again, I remind you that the workload reductions,
the people have already been reduced. So, in either
realignment or closing, we're not looking for major direct
labor drawdowns, because we have already been there, done
that.

COMMISSIONER CORNELLA: Well, then, I want to
follow up with a question right along the lines of why we
might need the amount of labor that we have.

As we visited each base containing an air logistics
center, they presented data they are operating at
approximately one-half of their 1987-89 capacity. For
example, both Tinker and Kelly are maintaining engines at
approximately 2 million hours each versus 5 million hours of
capacity that they have.

How can this be cost-effective, to downsize when
both require significant overhead?

SECRETARY WIDNALL: I guess, in order to do that, I
might ask Mr. Boatright or GEN Blume, because it's the whole
question of how did we make the choices on the different
commodities and whether or not it is prudent to retain

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training for the Navy if Reese Air Force Base was closed?

GENERAL FOGLEMAN: We would have a limited
capability to do that, I guess again, as I looked at the
assumptions that I've said there, because what we have said
is, with the assumptions, within the FYDEP, if we close one
base, we can meet our requirements and we have a very slim
surge capability that could, in theory, be used to absorb
more Navy training, if we had to.

COMMISSIONER CORNELLA: I'm getting the impression,
from an earlier comment, too -- you said something along
these lines, and I think I have one word correct, and that's
the "must." It says: "If the Commission must close a UPT
base" -- now, has the recommendation of the Air Force
changed?

GENERAL FOGLEMAN: What I was trying to put in
context there is, back to the Secretary's point, if you're
going to close a UPT base, we think the analysis says Reese
is the base to close. That's really what I was trying to get
to.

COMMISSIONER CORNELLA: You evidently have concerns
about closing even one UPT base; is that correct?

GENERAL FOGLEMAN: I'm sorry?

capacity to do engines at two different places. That's sort
of a readiness issue, as well as an efficiency issue.

I don't know, Mr. Boatright, if you want to respond
to that. It's a real detail of our planning.

GENERAL BLUME: Let me comment, just for a second.
And that is the fact that, you know, the realignment and the
Air Force option was to realign, to consolidate all that
workload, but to retain those two particular elements, one at
Tinker and one at Kelly.

But there's a lot more there, at either Tinker or
Kelly, than just the engine workload, so you can take one
piece of it, but that is a consolidation, and there would be
many, many other consolidations, as you know, at the other
depots.

MR. BOATRIGHT: I think that our whole proposal to
realign and consolidate is, we have taken and looked at,
across the Air Force depot structure, looked for those
activities that have the greatest potential for manpower
savings through consolidation, and what we've done is, we've
put that package together to create a very cost-effective
proposal.

Now, if you take and close a depot, what happens to

<p style="text-align: right;">Page 145</p> <p>1 you is that you can no longer pick and choose; you have to 2 take everything out of that depot and you have to relocate it 3 somewhere else and, in doing that, we create some 4 inefficiencies in addition to some efficiencies, and our 5 belief is, based on our analysis, that the realignment that 6 we've proposed is far superior to a closure action. 7 And it's really no more complicated than that. 8 That's basically what we've done, and we believe that that's 9 the right way to go about doing this. These are very, very 10 complex installations that have an awful lot on them and, to 11 consider closing one, in our opinion, is not the way to go. 12 COMMISSIONER COX: The current Brooks facilities 13 are very modern and built for their current use. In our 14 staff visit to Wright-Patterson Air Force Base, the buildings 15 proposed for the Brooks move are widespread and significantly 16 inferior to those at Brooks. Do you believe this could cause 17 serious degradation of the Brooks mission if the Commission 18 accepts that recommendation? 19 SECRETARY WIDNALL: No, I really don't believe that 20 because, while Wright-Patterson may be widespread, they will 21 be co-located with the Aeronautical Systems Center, so we 22 actually believe there will be a lot of synergism between</p>	<p style="text-align: right;">Page 148</p> <p>1 So I must tell you, Mr. Commissioner, I would need 2 some help on identifying my excess infrastructure being 3 driven by one base/one boss. If somebody can show me where 4 that's really forcing us to be inefficient, then I will go to 5 work on this, but I think, in the main, where the so-called 6 inefficiencies had occurred, they were things associated with 7 the initial stand-up, not so much with sustained operation 8 and, as a result of our previous BRACs, we've kind of got 9 ourselves pretty well skinned down. 10 I look at Charleston Air Force Base. You might be 11 able to shoehorn some more airplanes into Charleston and, if 12 we get C-17s, trust me, we'll do that. McGuire is pretty 13 well maxed out with everything that we're doing. The same 14 thing is true of our West Coast Air Mobility Wing at Travis. 15 So, as I look around, there may be pockets where 16 there would be some excess capacity, but I don't think it's 17 driven necessarily by one base/one boss. For instance, at 18 McChord Air Force Base, we have some excess capacity as a 19 result of fighter force structure coming down. 20 So there was a case where that fighter force 21 structure coming down wasn't driven by one base/one boss. It 22 was the fact we were told to go to 20 TAC fighter wings, and</p>
<p style="text-align: right;">Page 146</p> <p>1 members of the scientific community. We might find people 2 sort of shifting fields and contributing to other projects 3 that are in the Aeronautical Systems Division at Wright- 4 Patterson. So I think, in fact, it would have a synergistic 5 effect. 6 COMMISSIONER CORNELLA: As we've visited many of 7 those types of installations over the past few months, we've 8 learned that not many of the highly technical people really 9 want to make a move. 10 Now, can you tell me the percentage that you've 11 projected of personnel from Brooks that would actually move, 12 other than military people that would actually be assigned to 13 move? 14 SECRETARY WIDNALL: I don't have that number. Do 15 we have an estimate for that? We'll have to provide that for 16 the record. 17 COMMISSIONER CORNELLA: Okay. Then I'd like to 18 finish off with GEN Fogleman. 19 In the last four years, the Air Force basing 20 decisions have been strongly influenced by a one base, one 21 wing/one boss concept. With a vast amount of excess 22 infrastructure, or some excess infrastructure, and declining</p>	<p style="text-align: right;">Page 149</p> <p>1 it's very difficult and expensive to put any other kind of 2 force structure in there. 3 COMMISSIONER CORNELLA: So I would take your answer 4 to be that philosophy has changed and, if you had a base that 5 had some excess capacity and you could put another mission in 6 there, you would; is that correct, sir? 7 GENERAL FOGLEMAN: If it made sense from all the 8 other operational considerations. This is one of those 9 things that I tried to look at the Commission's request for 10 "How would you relocate assets, say, if you closed Grand 11 Forks?" And the next thing I saw was we were looking at 12 penny packet stuff -- stuffing a squadron into Seymour 13 Johnson or two squadrons there or two squadrons here, and it 14 completely undercuts our operational concept and the way 15 we're doing things. 16 COMMISSIONER CORNELLA: Thank you, sir. I yield 17 back to the Chairman. 18 CHAIRMAN DIXON: I thank Commissioner Cornella. 19 Commissioner Steele. 20 COMMISSIONER STEELE: Welcome. We're doing a lot 21 of UPT base talking, and I tell you, the Reese community, 22 someone along the parade line had a pretty interesting</p>
<p style="text-align: right;">Page 147</p> <p>1 budgets, why does it make sense for the Air Force to continue 2 to adhere to this concept? 3 GENERAL FOGLEMAN: In fact, we're not continuing to 4 adhere to it, and I think, if we were going to attack the one 5 base/one boss philosophy, we're doing it at the wrong time 6 because the one base/one boss philosophy cost was the up 7 front cost to get people moved around. 8 I understood this question may come up, so I went 9 back and I tried to look at our infrastructure to see where 10 one base/one boss forced us into excess infrastructure and I 11 must tell you, when I go to the large aircraft base 12 facilities, for instance, I find three core tanker bases that 13 are choc-a-block. You can't get any more airplanes onto 14 Fairchild, onto Grand Forks, or onto McConnell Air Force 15 Base. 16 I see two bomber bases that you might walk the ramp 17 and say "These are under-utilized," but you start getting 18 into other things like trying to combine the nuclear bombers 19 from Minot with non-nuclear bombers at, say, Ellsworth. You 20 go to a place like Barksdale. You know, it's a pretty full 21 base with what we're doing with the B-52 operation and what 22 we're doing with some Reserve conversions.</p>	<p style="text-align: right;">Page 150</p> <p>1 proposal that said, "Save Reese, close the Pentagon." 2 (Laughter.) 3 COMMISSIONER STEELE: And the steady-state savings 4 if you ran a COBRA run might really be something you want to 5 look at. 6 GENERAL FOGLEMAN: They've got my vote. 7 (Laughter.) 8 COMMISSIONER STEELE: We'll note that. It was 9 under oath. 10 Looking at the UPT issue across the Navy the Air 11 Force, if I could, a UFT, if -- and this is an if -- we're 12 down to three Air Force UPT base -- and you talked about 13 increasing the workload or the throughput by about 52 percent 14 through 2002. 15 On the one hand, I believe Commissioner Cornella 16 asked a question, "Would you have room at, say, Columbus to 17 absorb some of the Navy strike training if they had a 18 shortfall?" And I don't expect you to address the Navy 19 training, but they're maxing out Kingsville and there's a 20 question of if they would have the capacity they need in the 21 out years. 22 I guess I'd like to look at the issue both on</p>

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Columbus, specifically ability to absorb strike training, or the reverse of that, if you feel you're really maxing out in the Air Force, your ability to achieve the throughout you need for pilot training, could the Air Force benefit by the retention of Meridian for capacity's sake?

GENERAL FOGLEMAN: Well, as I've said, within the FYDEP, we can close one UPT base and still have the capacity to have some small amount of surge or absorb some training from somewhere else.

We look at that as a system, though. We don't look at it by base, for a lot of different reasons. So what we will end up doing as we build a PFT for the year, then we kind of get base-specific. But we kind of look at it in the aggregate, because, in any given year, attrition will vary by base, these kinds of things.

So I'm not prepared to try and address a question that says, "If we have some excess capacity, is that excess capacity all at Columbus?" The answer is no, it's not going to be at Columbus. It's going to be spread across the force. I mean, that's the way you're going to spread it.

And then -- I'm not prepared to answer the question, but we might be able to go back and model it --

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installations for every little personnel matter, everything they needed to do to get Air Force support.

I think we would be missing an opportunity to locate the scientific communities together to get the kind of synergism that we need if we're going to move forward in the future and sort of integrate human factors into aeronautical systems.

So I think, from the technical point of view, it just makes more sense to relocate Brooks to Wright-Patterson.

COMMISSIONER STEELE: Thank you, Madam Secretary.

Switching to the Northern Tier, GEN Fogleman, the Secretary has notified us that there will be no determination by the Secretary that would require retention of the missile group at Grand Forks. If the 321st Missile Group is inactivated, will it be necessary to demolish or relocate Grand Forks' ABM facilities, and do you know what the associated costs would be of demolishing?

GENERAL FOGLEMAN: We have looked into this, and the answer is no. We have been told there will be no requirement to demolish or relocate that ABM facility.

COMMISSIONER STEELE: Under the treaty, the State Department checks off on that also, that we don't have a

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"Given that you had excess capacity of 100 slots, how many of them would you think would be at Columbus," then I think we could go back and give you an answer to that. But I can't answer that here.

COMMISSIONER STEELE: I said Columbus specifically because of their capability to also train for strike, should we need to do that.

GENERAL FOGLEMAN: But all our bases, under our SUPT scheme that we're going to go to as we continue to look at how we bed this down -- I mean, Columbus will have that capability; we'll have that capability at other places, also.

COMMISSIONER STEELE: Okay. If it's all right, I may follow up with a question in writing --

GENERAL FOGLEMAN: Okay. That would be useful.

COMMISSIONER STEELE: -- to try to bring the Navy's comments last week and your thoughts on this together. It would be very helpful.

Returning to Brooks for a second, if I might, and this is a tad redundant with Commissioner Cox's question, but given that the one-time cost in the Air Force proposal is \$211 million to close with annual savings of 32.2, San Antonio community's cantonment proposal, the costs are only

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treaty obligation to demolish?

GENERAL FOGLEMAN: This was a position that was provided to us by the deputy secretary of defense after inter-agency consultation, so if there's somebody out there that has some additional information, they haven't been up in the net.

COMMISSIONER STEELE: Okay. Switching gears for a moment, we've heard about a tanker shortfall in the Southeast. Could you address specifically what that shortfall might be and the number of squadrons?

GENERAL FOGLEMAN: What I would kind of prefer to do is talk to it in terms of we have some numbers I'll share with you, if I could.

We look at it in terms of peacetime demand, and that is an important dimension. This is peacetime, peacetime demand versus basing. And the issue is how many air-refueling-capable airplanes do you have in a certain part of the country versus your tankers?

What we have in the Southeast is 27 percent of the demand is in the Southeast. Without any rebasing, 7 percent of our capability is in the Southeast.

In the Northern Tier, we have 5 percent of the

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and the annual savings are half of the Air Force savings.

I'll give you that, in the long haul, under your proposal, just looking at this, and if you don't count loss of personnel or the question of perhaps the infrastructure not being on par at Wright-Patt with what they currently have in San Antonio, you would have more savings under your proposal in the long, long haul.

But if, going to the ALC issue, if up front costs are your issue, this would provide you an additional \$200 million that could go toward a closure of a single ALC. And we all know that the steady state savings on an ALC are significant versus looking at the 32 million versus 17.6 million.

Looking at that as an entire picture, could that \$200 million be much better spent in the long term for the Air Force to go toward a complete closure of one ALC?

SECRETARY WIDNALL: No, I don't believe so. I view the proposal that we submitted as really the optimum proposal in the best interests of the Air Force. Again, I think with respect to Brooks, I think the cantonment makes very little sense. I think it would be very hard on the people. They'd be going to go driving over to one of the other San Antonio

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demand and 15 percent of our tankers based there but what the Northern Tier gives us is optimum location for the support of the bombers in the wartime scenario. And so we have been trying to work a way to help redress this imbalance in the South. This has been this way for years.

And, of course, that's at the heart of our Malmstrom recommendation, to move those tankers to MacDill. That helps some. It doesn't help a lot. It's 12 tankers. But it helps some, and it helps us work the problem of we are currently obligated to run an air field at MacDill Air Force Base and we have no force structure on it.

By the same token, we are obligated to run an air field at Air Force Base in a place where we have excess force structure, a relatively small unit that we think would have minimum impact on the people and the unit to transfer it to the Southeast. And so that's really what we're trying to address.

COMMISSIONER STEELE: Switching back to Northern Tier a little bit, if the Commission decides not to try to find a home for the tankers at Grand Forks, looking only at the two missile fields, if we go just back to Minor and Grand Forks.

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1 Having visited Grand Forks a week-and-a-half ago,
 2 two weeks ago -- time is becoming a bit of a blur here -- I
 3 was told pretty much by everyone that day that those missile
 4 fields are largely interchangeable, which is why the original
 5 recommendation, though it said closure of Grand Forks was
 6 preferred, the Secretary was willing to close Minot should
 7 that letter not be able to come forward to us during this
 8 process.
 9 My question is -- given I know it's an A system and
 10 a B system and there had been issues that react with the B
 11 system, but they've cleared those, et cetera, and the Air
 12 Force's testimony that there is not a water problem at Grand
 13 Forks -- would it perhaps make sense for the Air Force, in
 14 the long haul, to have the Commission close Minot's missile
 15 field, under the scenario we're touching the tankers at Grand
 16 Forks, to provide you the opportunity in a future BRAC in,
 17 say, 2001 or whatever, to have the chance to move the bombers
 18 from Minot to close a base, to then save you that operating
 19 cost, if Grand Forks is going to stay a place you want to
 20 operate from, from now till whenever?
 21 GENERAL FOGLEMAN: First of all, I was not aware
 22 that the Air Force says there's not a water problem at Grand

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1 Forks, because I can tell you the numbers they show me
 2 consistently is that we're spending considerably more money
 3 to operate those silos at Grand Forks than we are at Minot or
 4 anywhere else and, if they're not spending it on the water
 5 issue, I don't know what they're spending it on.
 6 But we break it out by base, sort of cost per silo,
 7 and everything I have ever seen says that it is more costly
 8 to operate silos at Grand Forks than it is at the other
 9 locations and it has always been attributed to the water
 10 problem. So you may have some new information that I don't
 11 have. I don't know who testified to that.
 12 COMMISSIONER STEELE: Actually, General, I had
 13 always heard that, as well, but it was said pretty
 14 consistently and some of the senior command had come in also
 15 during my visit and also addressed that issue and said that
 16 it was no longer a problem.
 17 Say it still is a problem. How would the cost
 18 compare with fixing a water problem on a silo every X amount
 19 of years versus maintaining the operations of the base in the
 20 long haul? And my time is expired.
 21 MR. BOATRIGHT: If I could comment on this, in
 22 regard to our analysis, the Air Force did a rather detailed

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1 analysis comparing each of the missile bases, one to another,
 2 to determine which base was the best base, which was the next
 3 best base, and right down the line.
 4 We did that analysis, considering a number of
 5 factors. One, water table level, because that affects the
 6 hardness of the site, and that has something to do with the
 7 survivability of the site. When we did that, Grand Forks
 8 clearly comes out as the one that would be closed. That is,
 9 it doesn't do as well in that comparative analysis as the
 10 other sites.
 11 Now, the next one up the ladder is Minot. That's
 12 the reason why the Air Force focused on Grand Forks, because
 13 retaining the other three gives us the best possible missile
 14 field structure that the Department of Defense can maintain.
 15 COMMISSIONER STEELE: Thank you. Staff slipped me
 16 a note that says that Grand Forks is the third -- how do I
 17 say this -- the second cheapest, third most costly, expensive
 18 to run, missile field. I know there's a lot of issues
 19 involved in this and I don't want to take any more time from
 20 my colleagues on this issue.
 21 GENERAL BLUME: As the chief said, it is the most
 22 costly, also.

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1 COMMISSIONER STEELE: Thank you very much.
 2 CHAIRMAN DIXON: Thank you very much, Commissioner
 3 Steele. Commissioner Robles.
 4 COMMISSIONER ROBLES: Thank you, Mr. Chairman.
 5 Madam Secretary, as you said in your opening remarks, the Air
 6 Logistics Center issue is the centerpiece of your discussion.
 7 It is clearly the centerpiece of our mind. So I'm going to
 8 talk a little more about it, and I'm going to try to
 9 crystallize a couple of thoughts that I think we heard today.
 10 just to make sure that you understand the difficulty we have.
 11 The reason I'm saying that is because we have
 12 between now and the 22nd to gather all the facts. Then,
 13 we're going to go into a voting mode and we want to make sure
 14 we have all the evidence, all the numbers we need to make a
 15 clear, fair, objective decision.
 16 The second thing I will say is, as you know, I've
 17 spent most of my adult life in the analysis and numbers
 18 business, so I have a particular interest in the numbers that
 19 support your decision. I asked the staff -- all of us have,
 20 but I particularly have been asking them -- that I'm not
 21 saying the numbers are wrong, the numbers are perfectly
 22 right.

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1 It's the assumptions that I quibble with; it is the
 2 parameters that I quibble with; it is things like the number
 3 of years to close, the year you start the closure, the 15-
 4 percent productivity you get when you downsize and zero
 5 percent productivity when you consolidate -- on and on and on
 6 and on -- the PCS costs, the workmen's comp cost, the whole
 7 string of numbers that are the underpinning for this
 8 analysis.
 9 When you do all that, the staff will show us next
 10 week a rather detailed analysis that shows that there is
 11 significant deviation in the numbers. So let's just agree to
 12 disagree for right now. We have a different set of numbers
 13 than you do and we will be briefed on what those numbers are.
 14 So, if that is the case, I guess what I'm asking
 15 you is, we have to take a good, serious look at whether we
 16 close one or two depots, and we're going to look at that.
 17 I'm not saying we're going to vote to do that, but we're
 18 going to take a good, hard look at that. I think you
 19 certainly got that, from the tone of our discussion.
 20 My question to you is, given your BCEG rankings and
 21 given all your analysis, one more time, should we stick with
 22 your rankings as we come to grips with this issue of closing

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1 one or two of these depots?
 2 SECRETARY WIDNALL: Well, I think I responded to
 3 that question that certainly I stand behind the Air Force
 4 tiering, and just to remark that our tiering is alphabetical
 5 by tier so that, you know, if Kelly and McClellan end up in
 6 the bottom tier, then K comes before M, and so that's all you
 7 can attribute to the relative listing of those two bases.
 8 But I do view the results of the tiering as the
 9 beginning of a process and not the end of a process, and that
 10 is the very process that the Air Force went through in trying
 11 to make its recommendation.
 12 So I don't know how else to respond to your
 13 question, except to say that it is certainly my fervent hope
 14 that you make the right decision, because I truly believe
 15 that you have the future of the Air Force in your hands, at
 16 least for the near term, and the recommendations that this
 17 Commission will make, I believe will determine the health of
 18 the Air Force over the next ten years.
 19 So I fervently hope you make the right decision.
 20 because, for us, it is a big risk.
 21 COMMISSIONER ROBLES: We understand that, and we
 22 asked the Army who was before you, about risk management.

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And, see, we have two different analyses here. We have a risk-averse solution, which is basically your maximizing the aversion to risk so you can have capability for the out-years, and you have the Army who says, "We're going to be risk takers and we're going to go down to three depots, one of each, and that's it." And so we're wrestling with that.

Do we have to have a cookie-cutter approach?

Absolutely not. But the fact of the matter is, they also have readiness at stake, just like you do, and so we have to see what is the right answer. And I understand there are different depot structures and there are different cost involved.

But, to the extent that your costs and your savings -- your up front costs and your savings -- are not what is in this analysis -- and we believe that -- then that makes this risk strategy a lot clearer for us to make a decision on because, then, maybe there isn't as much risk.

Now, capacity, we'll put up a chart, the capacity chart. See, this is what we're wrestling with.

SECRETARY WIDNALL: You may be wrestling with it, but I can't see it.

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COMMISSIONER ROBLES: Well, this is a chart of your data going to the BCEG. Turn the other side around.

SECRETARY WIDNALL: It's not getting any better.

COMMISSIONER ROBLES: Maybe it's clearer on that chart.

GENERAL FOGLEMAN: Our problem is, we have an angle shot at it.

SECRETARY WIDNALL: That's fine.

COMMISSIONER ROBLES: That chart was prepared on --

no, I need the capacity chart, is the one that I'd like to see. They understand their own ranking system. This chart is right there, that chart. Do you have a copy of that chart?

SECRETARY WIDNALL: Yes, I have it.

COMMISSIONER ROBLES: This one?

SECRETARY WIDNALL: Well, I don't have that one, but I have this one.

COMMISSIONER ROBLES: If you would look at this chart, please, this is your data that you sent to the Joint Cross-Service Group, and there are two charts. The first one is the Air Force depot maximum potential capacity, and it was normalized according to your input; so we didn't create this number, these are numbers you gave us.

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It clearly shows that there is at least 50 percent excess capacity in the Air Force structure by the year 1999. So there it is, and that's what we're using, your number.

Then the second chart is just how that's broken down by depot, and it shows, if you take that capacity and spread it around the depots, so there's clearly no misunderstanding in our mind that there's excess capacity.

So, given that there's excess capacity, we are now trying to come to grips with -- and you said that up front -- is it one or two? And you say downsizing is your preferred alternative. We say maybe that's your view, and we appreciate it, and that's your professional judgment. But we need to take a look at all the parameters and all the financial support data.

GENERAL BLUME: I think we said one-and-a-half, or about one-and-a-half and, if you went to two, there would be some severe disruption, some out-sourcing, some things that would have to do with other services and things of this sort, that there was not that much excess capacity.

COMMISSIONER ROBLES: Which are good, right? I mean, we are looking to --

GENERAL FOGLEMAN: We're looking at that, Mr.

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Commissioner, but the one thing we would ask this Commission to keep in mind is, that looks at this, is the United States Air Force has not been out on the street crying about readiness. We understand readiness. We have a system we've built to keep us a ready force. We understand getting rid of excess capacity.

You all will, I hope, as you do this analysis, not try and reinvent how the Air Force does business, because I think that's beyond your charter. You will fold your tent and go away this summer, and we will get to live with this -- I will get to live with it -- for several more years, as the Secretary will.

So if, as a part of your analysis, you're fundamentally changing the way we do business, then I would ask that we be able to sit down and talk about this.

On the other hand, I think that the position we have taken, relative to downsizing in place gives, us the flexibility to do things such as respond to the Roles and Mission Commission of doing more out-sourcing, privatization in pace, et cetera, with far less impact on the work force and the readiness of our Air Force.

You start closing these depots, and I will tell

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you, there is no way that you're not going to impact our combat readiness for a couple years, when you start moving these things around.

Now, is it worth having it impacted, to get the long-term savings? I mean, those are the kinds of value judgments that have to be made. And, as we look at it, and we look at the savings and the flexibility this gives us, we say we've got a complete package.

Now, that's kind of where we're coming from on that.

COMMISSIONER ROBLES: I understand. I understand your bottom line and, just so there's no misunderstanding, we're every bit as attuned to the readiness issue as you are, and we have made a commitment that we're not going to tell anybody, prescribe how to do things. There's going to be plenty of broad flexibility, as you should have, as you're required to have, as the leadership of the Air Force, to do whatever has to be done.

But all I wanted to make sure of, was to underscore the point that we're going to come to grips with this issue here over the next four or five days, and this is not an easy issue, and there is a difference in opinion on the total up

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front costs and the total savings; and that is going to be a major impact on this equation.

So if you have any final adjustments, there is some time sensitivity here, so enough on that.

SECRETARY WIDNALL: Let me just remind you -- and I've said it in my opening statement -- that, when you look at one of these bases, Air Force bases, that we call depots, I would say that certainly less than 50 percent of the people who are on that base are actually involved in the depot, and 50 percent of them are involved in some other activity with facilities and equipment.

A lot of the major cost has to do with moving those tenants who are needed, they're in our plans, they're part of what we do, and they cannot be downsized.

COMMISSIONER ROBLES: I understand. The second question is a question that you also alluded to in your opening remarks, which has to do with tactical missile workload. And you appropriately said that you weren't looking for work. We're the ones who added the list.

We are the ones who said we ought to take a look at it, based on the last BRAC Commission's recommendation about more jointness and the fact that we just want to know if we

<p style="text-align: right;">Page 169</p> <p>1 could, in fact, look at an option that moves tactical missile 2 workload from an Army depot to an Air Force depot. 3 We've heard both sides of the argument, as you 4 would expect. 5 On the one side, we hear that "It would require 6 much more construction, primarily for additional igloos at 7 Hill Air Force Base, that there are some very large costs to 8 do that and, oh, by the way, Hill doesn't have the expertise 9 or would have difficulty building up the expertise to do this 10 missile work." 11 On the other side, on the ground at Hill, when I 12 was there, they told me "It would not require additional 13 igloos, we do have the capability to do this kind of work, 14 we've done it in the past, we're doing some of it now, and we 15 could do more in the future." 16 So could you please just give us your thoughts and 17 your analysis on this whole issue? 18 SECRETARY WIDNALL: As I say, I think we would feel 19 rather relaxed with your ultimate decision on this matter. 20 You're obviously in a position, both by virtue of your recent 21 activities and your background, to make this decision. So I 22 think we feel comfortable with however it comes out.</p>	<p style="text-align: right;">Page 172</p> <p>1 of operations is. That's the way I used to do it when I was 2 in the war-fighting business. 3 So would you just kind of tell us, could you do 4 that and would there be large additional expenditures for 5 construction if you did it under that concept or that scheme? 6 GENERAL BLUME: We'll look into that for you. 7 COMMISSIONER ROBLES: Thank you. Mr. Chairman, I 8 yield back my time. 9 CHAIRMAN DIXON: I thank you very much, 10 Commissioner Robles. Commissioner Montoya. 11 COMMISSIONER MONTOYA: My comments are going to be 12 more in that nature than asking a question, because this is a 13 final opportunity under oath to make sure that I understand 14 the Air Force position because, to the extent that I 15 understand it and support it, I have trouble with the Army's, 16 and vice versa. 17 The Secretary of Defense has given us the dilemma, 18 because we have some inconsistent positions in looking at 19 similar activities, and I'm going to try -- the engineer side 20 of me says -- I'm going to try to factor through all that and 21 deliver a consistent vote that SECDEF will have to live with, 22 whoever that SECDEF is.</p>
<p style="text-align: right;">Page 170</p> <p>1 COMMISSIONER ROBLES: I would really like to know 2 if you know of any construction requirements, because it 3 appeared to be a service-unique standard for storage of 4 missiles that caused that additional construction. I'd just 5 like to get a little insight on that issue. 6 SECRETARY WIDNALL: I guess we'd be glad to work 7 with the staff. 8 GENERAL BLUME: That is the way we understood that 9 the analysis was performed, also, and that the requirement 10 was that, if you had to store all the missiles there, that 11 there would be a significant cost increase. Is that an 12 absolute requirement? 13 COMMISSIONER ROBLES: And the answer is? 14 GENERAL BLUME: And the answer is no. 15 COMMISSIONER ROBLES: So you would not have to 16 build those additional igloos to meet the same separation 17 distance and storage requirements that the Army requires of 18 its storage? 19 GENERAL BLUME: That's maybe a little bit different 20 question. I'm not sure what we would have to do. We'd have 21 to go in and look at it. But it depends upon the concept 22 that you work under. As I understand it, they're going to</p>	<p style="text-align: right;">Page 173</p> <p>1 So I'm going to try to say in my own words what I 2 think your position is and have you concur or not concur, or 3 fix it, because I want to leave this session with that 4 understanding, not to suggest that I agree with it or not, 5 but I do want to understand it. 6 Before I do that, I've got to respond to a comment 7 the general made. It's the second time it's been made in 8 about two weeks. And senior people in government, to infer 9 that we should make the right choice because we'll be gone 1 10 July and, therefore, leave you with a problem, really offends 11 me in this sense. 12 When you take off that uniform, you will live the 13 rest of your life with the decisions that you've made, good 14 or bad and, when I take off this Commission uniform, I'll 15 feel the same way. So we are working very hard to come up 16 with the right answer, General, because we do appreciate what 17 it is we're doing, what's in our hands. 18 I assure you I won't be going home 1 July and 19 forgetting about it. I'll live with this the rest of my 20 life, also. 21 Now, this is what I think the Air Force is saying. 22 And I want to distinguish between capacity and idle</p>
<p style="text-align: right;">Page 171</p> <p>1 take the missiles apart, was what you had asked them to do 2 anyway, or what the Army's proposal, that is, was to do, and 3 going to farm out part of the workload. 4 So I guess what I would say is that it depends 5 upon, there were two different options. One was the air-to- 6 air, the IR missiles, and that sort of thing, what's being 7 done there now, and the other one was, I think, all the 8 missile activity was there. 9 But, if you don't store all the missiles there, if 10 you store the missiles at some other thing, my understanding 11 was that the capacity was there. 12 COMMISSIONER ROBLES: Okay. Well, if you could 13 give us some feedback on that, the option is very simply not 14 splitting the two like the Army's proposal, but taking the 15 missiles, moving them in their entirety, all the missile 16 inventory, to Hill Air Force Base, doing the required 17 maintenance there. 18 And then we were told at Hill you don't have to 19 store them there; it's not an operationally sound concept to 20 store all the missiles at that base. You would put them out 21 in storage facilities that are geographically separated and 22 then you would ship them from there to wherever the theater</p>	<p style="text-align: right;">Page 174</p> <p>1 industrial capability. 2 I think what the Air Force is saying -- and it's a 3 cash flow analysis that you're presenting to us, really -- 4 you're saying that, given the workload that you have in the 5 Air Force today, or anticipate, that, through your managerial 6 approaches -- and they are wide-ranging, and I won't 7 categorize them all -- you are trying to size and keep sizing 8 your capacity to meet that workload. Whatever percent excess 9 you need, you'll figure that out, but you're optimizing your 10 capacity, which includes people, machines, and facilities. 11 You admit that, beyond that, minus the people, 12 you've got some industrial capability that is idle. That's 13 facilities and machines. 14 And you're also saying that you are more willing to 15 carry the cost, or you are willing to carry the cost of that 16 idle industrial capability as part of your everyday 17 budgeting, that that is cheaper than closing an Air Force 18 depot and having to move practically all the positions, not 19 the overhead, but practically all the positions that you are 20 working in an ALC, because you have sized it to proper 21 capacity and, therefore, that's an incremental workload that 22 you've got to move in total someplace else.</p>

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That cost is greater than owning the capacity, plus the idle capability, at one place. That's what you're saying, I think.

From a business perspective, there are some numbers that you leave out, and maybe that's okay in government. From a business perspective, we would have to cost that idle industrial capability. We would have to put a cost for the investment we made and the carrying costs, plus the depreciation costs, plus the operations and maintenance cost.

That is not necessarily entirely a cash-flow analysis and, therefore, for you, it's a sum cost and you can live with that under your economic model much better than I could in the world that I live in.

I think that's what you are essentially saying to us, is that it's cheaper for you to live with how you've reorganized and how you've squeezed. You can pay for that stuff that isn't being used. That's a better answer than trying to close everything at one place and moving it in real dollars that you have to spend this year, next year, and the following year.

That's what I'm hearing, and I want to see if I'm hearing that correctly.

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SECRETARY WIDNALL: Okay. I think I can supplement that, because I think that you have laid it out, but let me make some additions.

First of all, it is not our intent to carry the idle capability. We have identified buildings for demolition, and this really does happen. When I visit an Air Force Base, I'm always overjoyed to see a building in the stages of demolishing, because if we do not need buildings, the best thing, after some point, is to simply tear them down.

So the fact of the matter is that we want to get rid of idle capability and, as I often remarked when we were in the BCEG, what I'd like to see us do is to turn this into grass. That's got a number of advantages, not the least of which is that it is another form of long-term environmental remediation, to let the land return to its natural state.

There is also, of course, the possibility that we can free up some of either part of the base or some of those buildings for use by the civilian community in a public-private partnership and, certainly, in some of our more modern facilities, we would want to look at that. That, of course, is part of our planning that we think will take place

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over the next few years, with our new leadership at AFMC.

I guess the only other part I would really want to emphasize is the large number of productively employed tenants on our bases. These are healthy organizations with major facilities, and to simply take them and move them has always seemed to me to be a big unnecessary expense.

So those are the two additions I would want to make.

COMMISSIONER MONTOYA: I think your first comment fits the model I laid out, in that you will make a subset tradeoff, whether it is cheaper to keep a building in place for future use and maintaining it, as opposed to tearing it down. That will be an economic subset.

And the other will be to further reduce those carrying costs of maintenance, by having somebody else occupy and use it. So I don't think that's inconsistent with the oversimplification I made.

I think I'm finally understanding what it is you're saying, after self-searching and writing myself notes from places I've been. And so, to the extent that we can come to agreement that we understand each other, I'll leave it at

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GENERAL FOGLEMAN: Perhaps, Mr. Commissioner, I could add one thing. While we are not required, as you say, to follow the same business accounting rules that you are, it's interesting that, within the logistics business, because of our defense business operating fund activities, more so than in some of the operational parts of the Air Force, we are sort of required to account for this overhead and infrastructure and all that.

And I would ask that, as a data point, perhaps the Commission go look at the services and how they have done in DFOB and DBOF funding over the last several years, and I think you will find that the Air Force, through its model, has generated excesses to this fund or, at least, we have been in the contributing versus the withdrawal mode.

I think it may be an indication of precisely what you said in terms of, as we drew down our workforce to kind of match up with what our requirements were, while infrastructure stayed there, our real capacity came down; and that's sort of reflected.

But it's a measure of merit that, anytime you start

talking about DBOF, you get on icy --

COMMISSIONER MONTOYA: I lived in that DBOF world

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for a number of years.

GENERAL FOGLEMAN: -- icy treads, as you well remember.

COMMISSIONER MONTOYA: Yes. NIF world, we used to call it.

GENERAL FOGLEMAN: Yes.

COMMISSIONER MONTOYA: Yes, sir.

GENERAL BLUME: And let me assure you that those costs for that mothballing, as you might say, or destruction, or whatever, those were captured, as far as the analysis was concerned.

COMMISSIONER MONTOYA: And that's what I heard at Kelly, particularly, that even with those costs included, I heard a labor rate number that was better than any of these by some considerable amount. So I'm going to ask the Navy, why is the Air Force so much better than you all? That's for another day, though.

SECRETARY WIDNALL: We've been asking that for years.

COMMISSIONER MONTOYA: One last comment, Mr.

Chairman. I am really impressed with your facilities

management, General, in the Air Force. It is a real pleasure

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to visit Air Force bases. Treatment, facilities, appearance -- I would have to say that they're equal to one of our nuclear submarines in quality of life.

(Laughter.)

CHAIRMAN DIXON: Thank you, Commissioner Montoya. Madam Secretary, I'll have only about four questions, and we'll be able to break for lunch.

Now, in your earlier comments back in March, the Air Force, your argument to us then, in connection with this novel idea of downsizing instead of closing any of your depots, was that you could not afford to close a depot with the funding you have available. That was our understanding, and we've examined that record, and we're satisfied that was the argument then.

Our staff -- I want to be candid with you -- now believes they've showed that it is affordable and that it does make economic sense, and they are now concerned that you're raising instead operational concerns, really, for the first time now, that it was entirely an argument of the funding earlier and that you have reconfigured your position somewhat in connection with our second meeting.

Is an unfair characterization by our staff?

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1 SECRETARY WIDNALL: Yes. Well, I guess maybe I
2 might characterize our earlier statement as sort of an
3 enthusiasm for the proposal, based on the obvious point that
4 the DOD had some very serious budget problems in the year
5 ahead. But, really, from an operational and management point
6 of view, I've always believed that the real attractiveness
7 had to do with the consolidation of the individual
8 commodities.
9 But, clearly, at that sort of top-level testimony
10 that we gave at that point, we certainly didn't spend our
11 time talking about hydraulics consolidating at this base, and
12 the instrumentation consolidating at this base. We didn't go
13 into that level of detail.
14 And we certainly didn't talk, at that point, about
15 the obvious fact, as I've tried to emphasize here, that the
16 presence of so many tenant units on our installations makes
17 the cost to consider moving very, very large. I think these
18 were clearly things we realized at the time.
19 But you recall Secretary Perry's presentation and
20 Mr. Deutch's presentation really, I think all of us were
21 flushed with the enthusiasm of the net present value for this
22 approach, and that's, I'm sure, the emphasis we gave. But I

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1 believe we've always seen it as a complete package.
2 CHAIRMAN DIXON: Okay. Did you want to say
3 something, General?
4 GENERAL BLUME: Madam Secretary, could I just tag
5 on?
6 SECRETARY WIDNALL: Mm-hmm.
7 GENERAL BLUME: Even the Joint Cross-Service Group
8 had significant operational concerns with the closure of one
9 or two of the air logistics centers, and we certainly have
10 always had that concern. Our voice is being heard, maybe, a
11 little bit more now, but certainly the affordability, as the
12 Secretary said, is very important.
13 The less disruption that we can have is certainly
14 an important fact, and the operational concerns, as far as
15 the Chief made, as far as readiness, are extremely important
16 also.
17 CHAIRMAN DIXON: I hear all that. Now, let me
18 review the bidding, because these figures are the figures we
19 have to work with. There's been a 40 percent reduction in
20 authorized and appropriated amounts since the high point in
21 the Reagan Administration when I served in the United States
22 Senate. There's been a 40 percent reduction.

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1 SECRETARY WIDNALL: Yes, in the budget, right.
2 CHAIRMAN DIXON: There's been a 30 percent force
3 reduction. If we honor every request of the Department of
4 Defense -- every one of them -- and don't do anything else,
5 we will only achieve a 21 percent reduction in the capacity
6 out there. I think that's factual.
7 The next thing is -- and I regret this -- you know
8 my record when I was in the United States Senate, so I don't
9 advocate what has occurred. But the downsizing has actually
10 resulted in a downsizing, unbelievably, to about the 1950
11 level, which I find, quite candidly, quite shocking.
12 I take it, it is only the Congress reflecting the
13 constituency views. I can only accept that as the reason why
14 because, from a national security standpoint, no one could
15 defend it. But that's factual.
16 Now, continuing the bidding, in the BRACs, through
17 '93, the Navy has closed one-half of their aircraft depots --
18 three of six. If we only do what the Navy requests this
19 time, if we only support that, the Navy will have closed half
20 their shipyards. The Army will have closed, if we only do
21 what they say -- assuming we do what they say -- six of the
22 nine depots.

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1 So I wonder at what point the force reductions in
2 the authorized and appropriated amounts get to the level
3 where one says, "Hey, what are we going to do with all this
4 capacity?" You know, one has to say, in honesty, General,
5 that if you've been there and you've seen them and eye-balled
6 them, which we've done, there is humongous space. Humongous
7 is the only fair way to describe it.
8 GENERAL FOGLEMAN: Mr. Chairman, could I --
9 CHAIRMAN DIXON: General, I love you; I'd be
10 delighted to hear your defense.
11 GENERAL FOGLEMAN: I won't try to defend. What I
12 will try to do, though, is hopefully amplify.
13 I have before me a list of those depots, Army,
14 Navy, that you have described. I can go down through three
15 Army depots, three Naval aviation depots, and add up their
16 total base population, and they do not equal the base
17 population of Kelly Air Force Base. I mean, we're talking in
18 terms of scale.
19 CHAIRMAN DIXON: I wouldn't argue that with you.
20 GENERAL FOGLEMAN: But, if the Air Force were
21 structured so that we had these little depots out here, then
22 I think we could compare. We would have apples to apples,

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1 oranges to oranges.
2 We have taken the position based on past actions.
3 I mean, we have consolidated activities into these megabases.
4 You have to go back into the past to see the same kinds of
5 drawdowns that we've had to get us into this position.
6 Again, I think Commissioner Montoya has put his
7 finger on what we're trying to do with what we have left. So
8 I think people who will put forward this comparison of
9 numbers versus looking at the complexion of these
10 installations, you know, it's not quite apples to apples.
11 CHAIRMAN DIXON: Okay. Let me ask you a couple
12 more quick questions. You are saying to us that the
13 reevaluation indicates that Kirtland should not be closed,
14 are you not?
15 SECRETARY WIDNALL: Yes, that's right. That's
16 right.
17 CHAIRMAN DIXON: So that we don't have any
18 difference of opinion about that.
19 SECRETARY WIDNALL: That's right.
20 CHAIRMAN DIXON: All right. Now finally -- and
21 this is procedural -- this is the last BRAC. There isn't any
22 question, when we conclude this BRAC, we are leaving a lot of

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1 excess capacity out there that everybody has to deal with,
2 that gives you problems when you want to do procurement,
3 gives you problems on force levels, a lot of other things.
4 Also, I don't think it's subject to debate that
5 there's no stomach in the Congress and probably not in the
6 country for another round in a couple of years, and it's also
7 fairly clear that Presidential politics can get involved in
8 this, to some extent. And I don't mean that critically.
9 Thank God for a country where those things are part of the
10 great debate.
11 There's some thinking that, when the dust is
12 cleared and everybody has dusted themselves off and relaxed
13 and reviewed it more carefully, that after a couple of
14 Presidential elections, maybe we ought to have an opportunity
15 to look at it again, having in mind the statutory inability,
16 really, to do anything without a BRAC.
17 There's some talk about 2001. That would let two
18 Presidential elections intervene. It also has the nice
19 result that all BRAC stuff will be finished by then.
20 I ask you -- all of you and particularly Mr.
21 Boatright and MAJ Blume, who are the guys who have to figure
22 these things out -- whether you think that makes some sense.

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MR. BOATRIGHT: Yes, sir. I think your analysis makes sense to me. I think that definitely we can't predict with any great accuracy what's going to happen over the next six years in regard to force structure, in regard to budgets.

I would tell you that today, while we may not have every base or installation that we could have closed or realigned out of the Air Force structure, we're down to a position, assuming that we get a reasonable closure in this round, to a level that I think will serve the Air Force very well over the next six years and, at that point in time, if there is a need for one, for some additional realignment and closure actions, I think that would be the time that we ought to be considering such a thing.

CHAIRMAN DIXON: Is that an appropriate reflection of the views of all of you?

SECRETARY WIDNALL: Yes. Yes.

GENERAL FOGLEMAN: Perhaps, if I could, one comment, Mr. Chairman.

That is, it would be very useful for us if somehow the Commission could, in its report, stipulate that the actions that have been directed, you know, from all the previous BRACs and, in fact, the actions from this, that

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there's some sunset clause on prohibitions to move force structure around because, quite frankly, we really do reach the point where our hands are tied by BRAC legislation, and it prevents us from doing some things that emerge as opportunities to --

CHAIRMAN DIXON: We'd like to have your suggestions on that, because my final question was this one that we find that there are changes in the succeeding BRACs, and you want to re-evaluate, and that makes good sense and it's understood.

And we think there ought to be some authority for you to continue to be able to do that with existing BRAC things, not an authority for you to act on a base, independently existing statutes, or anything, but to let you review what you've done with all these BRACs.

GENERAL FOGLEMAN: Yes, sir.

CHAIRMAN DIXON: That would be good? And if you could give us -- we asked the same thing of the Army, we'll ask the same thing of the Navy -- your ideas about all those things, we would find that useful.

Incidentally, we don't want to create some extra bureaucracy out there, particularly, to do that kind of

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stuff.

We want to find some way to do that that the Congress, in its wisdom, will see makes good sense, because Senator Thurmond has asked us to come over there in the middle of July and make these recommendations and defend what we've done and, as I said to the Army, if we can get our bulletproof vests and come in, in the dark of night, we'll probably come back then to answer the questions.

We sure thank you all.

SECRETARY WIDNALL: Thank you.

CHAIRMAN DIXON: Thank you very much, Madam Secretary.

SECRETARY WIDNALL: Thank all of you.

CHAIRMAN DIXON: Thank you very much. We're in recess until 1 O'clock.

(Whereupon, at 12:15 p.m., a luncheon recess was taken.)

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AFTERNOON SESSION

(1:00 p.m.)

COMMISSIONER CORNELLA: [Presiding.] Good afternoon, ladies and gentlemen. Our morning session ran a little bit over time, so the rest of our commissioners will be joining us shortly. This afternoon, we will begin with the representatives of the Navy, who will be with us until 2:30 p.m. They are the Honorable John Dalton, the Secretary of the Navy; ADM J.M. Boorda, the Chief of Naval Operations; General Carl Mundy, Jr., the Commandant of the Marine Corps; the Honorable Robin Pirie, Assistant Secretary of the Navy for Installations and Environment.

At 2:30 p.m., we will welcome Joshua Gotbaum, the Assistant Secretary of Defense for Economic Security; Robert E. Bayer, the Deputy Assistant Secretary for Installations; GEN George T. Babbitt, Jr., Principal Deputy Director of the Defense Logistics Agency; and Marge McMananay, BRAC Team Chief for the Defense Logistics Agency.

If the panelists will please rise and raise their right hands, I will administer the oath.

[Witnesses sworn.]

COMMISSIONER CORNELLA: Secretary Dalton, you may

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begin.

SECRETARY DALTON: Thank you, Mr. Chairman. I have a complete statement I'd like to submit for the record, but would like to give an abbreviated version of that, if I could, at this time.

COMMISSIONER CORNELLA: We will do that, sir. SECRETARY DALTON: Thank you very much. Mr.

Chairman, members of the commission, it's once again an honor to be before you today. Today I will present our position on the installations which the commission added to the list for consideration on May 10, 1995. In approaching this assignment, I must reiterate our objective in this round of base closure -- to achieve a more streamlined, efficiently located and responsive base line of support, capable of meeting the needs of the Navy and the Marine Corps.

We in the Department of the Navy continue to have confidence in our previous recommendations. When taken together with the decisions made in prior rounds, we believe these recommendations are the right recommendations for the department. Recommendations that result in an infrastructure able to support the four deployed Navy and Marine Corps expeditionary force that projects this nation's resolve

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around the world.

In my testimony before you on March 6th, I reviewed our recommendations in detail, and explained the basis for them. While I will not repeat that description of our analysis, we'll be happy to respond to your questions on our recommendations and process. My purpose today, Mr. Chairman, is to speak specifically about that portion of the commission's expanded list of Department of Defense recommendations which relate to the Navy and Marine Corps.

I recognize and applaud the care and diligence that you and your staff have brought to the process. There are five basic areas of additions that I believe warrant your careful reflection. I will address them starting with our valuable assets on the Atlantic, and then move to the Pacific area. Mr. Chairman and members of the commission, the Portsmouth Naval Shipyard is an integral component of our nuclear powered, fast attack submarine program and mission.

It is extremely important for the support of our SSNs and the Department of the Navy's depot infrastructure. Following are the four ship maintenance depot closures that have already been approved in the base closure process, and one closure conducted outside of the process, our

<p style="text-align: right;">Page 193</p> <p>1 recommendation to close the Long Beach Naval Shipyard and the 2 ship repair facility in Guam reduced the remaining excess 3 capacity by about half. 4 To reduce this excess further, our recommendation 5 transfers additional depot workload to the remaining 6 shipyards from other department activities, predominantly 7 technical centers. Including our present recommendations, we 8 will have left only five of the original 12 ship depot 9 activities, resulting in two per fleet and one overseas in 10 the Western Pacific. 11 Each of the remaining four shipyards is nuclear 12 capable, thus providing robust support and the required 13 flexibility for all aspects of fleet operational readiness. 14 The commission's proposal to close Portsmouth Naval Shipyard 15 would bring the excess capacity in our shipyards down to 16 about 1 percent, creating an unacceptable risk as we strive 17 to support ever-increasing global initiatives with dwindling 18 numbers. 19 The retention of some excess shipyard capacity was 20 not an oversight, Mr. Chairman. It was a military judgment 21 decision by senior department of the Navy and military and 22 civilian leadership. This conscious decision was made to</p>	<p style="text-align: right;">Page 194</p> <p>1 repair is required, or if any ship maintenance availability 2 is altered for any reason, we will have fast attack 3 submarines surfaced and tied up at the dock, waiting for 4 maintenance. In our opinion, Mr. Chairman, we would be 5 operating on and perhaps over the edge, and be in jeopardy of 6 not meeting our global commitments. 7 The question might be asked, what about private 8 shipyards? Mr. Chairman, no SSN refueling workload is 9 available or manned in the private sector. The Department 10 estimates it would take about three years to stand up and man 11 such a facility, at a cost between \$45 million to \$100 12 million. Skeptics point to Electric Boat Company in Gratin, 13 Connecticut, as a potential refueling source. 14 But Gratin has not refueled any type of submarine 15 for over 20 years, and does not currently have the necessary 16 facilities to do so. While Newport News Shipbuilding Company 17 has previously refueled fleet ballistic missile submarines, 18 it does not currently have the facilities for Los Angeles 19 class fast attack submarines. If you seriously contemplate a 20 private shipyard, consideration must be given to the 21 requirement to extensively train and maintain a dedicated 22 private workforce, in place, under contract.</p>
<p style="text-align: right;">Page 194</p> <p>1 provide necessary flexibility to meet future uncertainties in 2 nuclear shipyard requirements. Let me speak for a moment 3 about the uncertainty of future requirements. 4 Mr. Chairman, the ultimate size and nature of the 5 nuclear submarine fleet is in the throes of dramatic and 6 fluid changes. The SSN force level is projected to decline 7 by nearly 50 percent. There is a debate concerning 8 introduction of new classes of submarines. These factors, as 9 well as world events, affect decisions on whether to refuel 10 or defuel our Los Angeles class fast attack submarines. 11 These boats are the backbone of our submarine 12 force. Decisions to refuel, defuel, or inactivate nuclear 13 powered submarines have a significant impact on nuclear depot 14 workload to be assigned to Portsmouth. Our recommendation, 15 which retains Portsmouth, protects nuclear capacity for 16 greater flexibility. Whatever the future holds, it is clear 17 that the SSN 688 attack submarine will be the mainstay of our 18 submarine fleet into the next millennium. 19 In that context, it is important to remember that 20 Portsmouth Naval Shipyard currently is the center of 21 excellence for our SSN 688 class submarine depot maintenance. 22 It is the only planning yard within the Navy where</p>	<p style="text-align: right;">Page 195</p> <p>1 You can't begin such an effort when the problem 2 emerges; it just takes too long. Therefore, we believe that 3 assignment to the private sector is not a prudent choice. 4 The cost of closing Portsmouth Naval Shipyard and then 5 replicating it in the private sector just doesn't make sense. 6 Mr. Chairman, the right answer, the essential answer, is to 7 retain Portsmouth Naval Shipyard. 8 Maintaining a modest nuclear excess capacity 9 provides the flexibility and a critical edge against future 10 uncertainties. This retention is absolutely necessary to 11 meet the requirements of the future force structure, given 12 both maintenance and operational constraints. Turning now to 13 Naval Air Station Atlanta. Mr. Chairman, we believe NAS 14 Atlanta is a future cornerstone of the future Navy and Marine 15 Corps reserve force. 16 When we evaluated closing the naval reserve air 17 station in Atlanta, a number of factors became evident. For 18 example, NAS Atlanta has low overhead because of its adjacent 19 location to Dobbins Reserve Air Force Base. The synergies 20 created by Dobbins maintaining the runway, and NAS Atlanta 21 operating the medical facilities are examples of how six 22 reserve components at this joint facility have woven an</p>
<p style="text-align: right;">Page 195</p> <p>1 engineering modifications and maintenance procedures are 2 designed for this class of submarine. As the regional 3 maintenance hub of the Northeast region, it is within 170 4 miles of the major submarine concentration at New London, 5 Connecticut. 6 Twenty-two of 57 SSN 688 class major depot 7 availabilities are planned to be performed at Portsmouth 8 Naval Shipyard through Fiscal Year 2005. That's 39 percent 9 of the availabilities for major submarine depot maintenance. 10 The anticipated nuclear workload for Fiscal Years 2001 11 through 2005 requires four nuclear shipyards. And there is 12 no room for any slippage. 13 Delays of any kind could result in the removal of 14 ships from the operating fleet. When an SSN 688 submarine 15 reaches the end of its 120-month operating cycle, it is 16 restricted from submerging, and is lost as a fleet 17 operational asset. Without Portsmouth, our remaining dry 18 docks and facilities would have to be scheduled hell to toe. 19 There would be no time allowed for required maintenance on 20 the dry docks themselves, and considerable schedule 21 adjustments would have to be made for non SSN ships. 22 If any significant accident occurs, or emergent</p>	<p style="text-align: right;">Page 196</p> <p>1 operating network that reduces cost for all. 2 NAS Atlanta is our least expensive reserve naval 3 air station to operate by over \$4.5 million a year. Most 4 importantly, the demographics of Atlanta show a very positive 5 trend for purposes of reserve recruiting. The fact that the 6 more mature Air Force Reserve units on the base complex at 7 Dobbins are manned at excess of 100 percent shows the richest 8 of the demographic base in Atlanta. 9 Additionally, the Atlanta area is the regional 10 Marine Corps Reserve base for the Southeastern United States 11 Like the facility created in BRAC 93 at Fort Worth, if NAS 12 Atlanta is left open, it will be a model for the future of 13 the joint reserve force. Mr. Chairman, your objective and 14 ours is to reduce excess capacity. Closing NAS Atlanta would 15 require the department to incur significant costs to create 16 additional capacity at other air stations, which certainly 17 does not meet our common objective. 18 Since NAS Atlanta can accommodate and man the three 19 additional squadrons proposed to be stationed there with no 20 military construction expenditures, we believe NAS Atlanta 21 should remain open as an important part of our Navy-Marine 22 Corps-Air Reserve structure and our future Navy and Marine</p>

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corps total force. We have recommended the closure of Naval Air Station South Weymouth, and the transfer of P-3 and C-130 squadrons from South Weymouth to the active air station at Brunswick.

This recommendation not only reduces air station excess capacity, but also furthers the integration of active and reserve force structure. With this closure, all remaining reserve air stations will be joint facilities. With regard to the Naval Air Warfare Center Weapons Division at Point Mugu in California, this activity is a critical national asset for research, development, training and engineering for the Navy.

Point Mugu has been studied extensively in BRAC 91, 93 and 95. BRAC 91 resulted in a major consolidation of the China Lake and Point Mugu sites, which focused on eliminating duplication and intertwining organizations. BRAC 91 and subsequent management actions have resulted in China Lake and Point Mugu rating number one and two in military value among all Navy technical activities, and have already reduced staffing at these two activities by 2,000 employees.

We now have an efficient, irreplaceable set of land and sea ranges, co-located with and integral to research and

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facilities or others.

As in any business transaction, however, the best interest of the Department of the Navy and the nation must prevail. Mr. Chairman, as a result of further analysis by your staff, and in discussions they have had with affected communities and with our base closure staff, it has been suggested that I address certain issues related to the Department of the Navy's recommendations.

In my complete written statement for the record, I have specifically addressed the major concerns. But I would like to reemphasize now the obvious fact that our budgetary top line has come down dramatically. Finally, and frankly, we can no longer afford to keep bases for which we have no mission requirement, as in the case of NAS Adak.

Additionally, our force and reserve resource levels have gone down to the point that we do not need certain things any longer to get the job done, like Long Beach Naval Shipyard. Finally, wherever we can consolidate activities and do the work in one facility that is now being done at two, with little or no loss of efficiency, that is what we think we should do.

Examples of such consolidations are demonstrated in

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development laboratories that are critical to the Department of Defense. Point Mugu also provides a broad range of support for Naval Reserve, Air National Guard, and active forces, including the training and embarkation of weapons qualification facilities for Pacific fleet SeaBees.

Mr. Chairman and commissioners, the current integrated mix of facilities and capabilities at the China Lake and Point Mugu sites represent five years of consolidation and realignment efforts. Redundant organizational structures and functions have been eliminated, and the remaining functions are critical. The Navy has already accomplished significant infrastructure reductions with the Naval Air Warfare Center Weapons Division in the smartest and most economical manner.

Spreading the Point Mugu functions to several other locations would undermine the unique synergy created through the previous BRAC rounds. Next, Mr. Chairman, I want to clarify what I believe is a significant point concerning the public works center at Guam. This facility was not recommended to me for closure, but was thoroughly considered by the base structure evaluation committee.

With retention of the telecommunications center,

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the recommendations for the Naval Surface Warfare Center detachment at Annapolis, and for the movement of SPAWAR to San Diego. We have, in each case, kept the activity that provides us the greater benefit, and we have consolidated like operations to achieve efficiencies and economies of scale.

I would like to conclude by saying, once again, that we take no joy in our recommendations. This is a painful process, which I'm sure you fully recognize, as a result of your extensive and ambitious schedule of base visits throughout the nation. In each location, concerned citizens have gathered hearings, hopeful that somehow, someone would turn back the tide and stop the closure of their facilities.

Your task of ensuring the recommendations presented to the President are the right recommendations for the Department of Defense and the nation is both difficult and critical. We are heartened, however, by the growing number of communities that are recognizing the opportunities that can come from the re-use of these facilities. We have opened dialogues with several of these groups, and are hopeful that the outcomes will be beneficial to all parties.

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the naval magazine, naval hospital and other government facilities for a total of more than 3,300 personnel, plus approximately 2,600 personnel assigned by the Air Force, there is more than a sufficient customer base to warrant retention of a public works center. Obviously, the size of a public works center is going to be dependent on the number of operations it supports.

Given the current size of the activities being supported, we believe the appropriate course of action is as we recommended -- the retention of the public works center, Guam. As in the case of Guam, other communities are coming forward with initiatives to privatize certain facilities recommended for closure by the Department of the Navy.

We support privatization initiatives such as have been suggested by the Naval Air Warfare Center in Indianapolis, and the Naval Surface Warfare Center in Louisville, so long as they entail private sector facilities and employees competing under applicable statutes, policies and regulations. Flexibility in language is essential to providing the ability to consider all of these options, since Department of the Navy will, of course, be bound by any commission recommendation language with regard to these

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As I have said before, these communities will forever be a part of the extended Navy family. This concludes my statement, Mr. Chairman, and I, along with my colleagues, will be happy to respond to your questions.

COMMISSIONER CORNELLA: Thank you, Secretary Dalton. ADM Boorda, did you wish to make any statement?

ADM BOORDA: No, I agree, obviously, with my Secretary's statement, and I'd be happy to answer any questions.

GENERAL MOODY: I have no statement, Mr. Chairman.

COMMISSIONER CORNELLA: Secretary Pirie?

SECRETARY PIRIE: No, sir.

COMMISSIONER CORNELLA: I would ask the timekeeper to extend 10 minutes to each commissioner, and we'll begin with Retired ADM Ben Montoya.

COMMISSIONER MONTTOYA: GEN Mundy, you got a free ride last time. We're going to start with you today.

GENERAL MUNDY: Just because I was pouring the drinks.

COMMISSIONER MONTTOYA: I have a couple of questions. The first one is BRAC related, to a previous BRAC action. We've been advised, and maybe you're aware of the

<p style="text-align: right;">Page 205</p> <p>1 fact that the community in Glenview, Illinois, has been 2 speaking with the Marine Corps about the possibility of being 3 able to, after they become owners, going through the 4 statutory process of Glenview, to lease back facilities, or 5 the facility, to keep the Marine Corps there 6 We've looked at that very carefully, and it 7 requires a statute, I think, to overcome some statutory 8 procedures. And my question is, is the Marine Corps 9 interested in that? And would you want this commission to 10 consider that proposal and write some appropriate language to 11 facilitate that? 12 GENERAL MUNDY: Commissioner, as you've accurately 13 portrayed, on the heels of the previous BRAC actions, the 14 decision was made to close the naval air station at Glenview. 15 And that's a good Marine community, always has been. We have 16 a great deal of affection for the community. But it was to 17 achieve economies for all the right reasons. Now, the new 18 factor that has come in is the proposal, as you suggest. 19 As we have looked at that, there are legal 20 complications with that, if not restrictions, prohibitions 21 that would be not currently within the latitude of the 22 Secretary, or any of us, for that matter, I think, to go</p>	<p style="text-align: right;">Page 208</p> <p>1 And I just wonder if you feel comfortable that 2 you'll be able to, for the long haul, move there and be able 3 to execute operationally, given the characteristics of 4 helicopters in the community. 5 GENERAL MUNDY: Commissioner, I feel comfortable 6 that we'd be able to do that. There's no question that the 7 relocation to Miramar puts a good number of aircraft that 8 would be on, at any given time, I think, about 150 to 200 9 flying machines of one sort or another -- jet or helicopter 10 or even C-130s -- operating out of there. For Marines, we do 11 that at a lot of other places. We do it out at Yuma, only 12 few miles to the east. 13 We do it up at 29 Palms. We do it off the decks of 14 amphibious ships. So we are accustomed to operating 15 helicopters and fixed wings together. Yes, the noise pattern 16 for the heavy lift helicopters is certainly a consideration. 17 There's a long track here, and I think you must be aware of 18 it. When the decision was made in BRAC 91 to close Tustin, 19 that in effect forced the issue. We had nowhere to put the 20 largest aircraft group in the Marine Corps, which was the 21 helicopter group at Tustin. 22 The BRAC proposed at that time, and I think the</p>
<p style="text-align: right;">Page 206</p> <p>1 around. There are -- if the circumstances evolved, as has 2 been at least portrayed by the city of Glenview there, it 3 certainly is an interesting offer. 4 And I would think that right now, we have fairly 5 specific language that directs us to move that Marine air 6 control group down to Dandalk, Virginia. If the commission 7 saw fit to relax that language to give some flexibility to 8 the department to look at the most economical and the most 9 effective, from the standpoint of demographic recruiting and 10 that sort of thing, that would certainly not be harmful in 11 the next couple of years, as that proposal could be 12 considered. 13 COMMISSIONER MONTROYA: One of the thoughts, if we 14 were to redirect, and write some language, it would be in an 15 either or category. If there's a statutory fixed, you'd be 16 permitted to stay; if there isn't by a certain date, you'd 17 move. The 93 recommendation, in rewriting a finding as of 18 this BRAC, the clock will start again. It is our counsel's 19 judgment, you'd have another six-year term. 20 You may not want that. But I think that's 21 something that if you're interested in, we'd be more than 22 pleased to work with your staff and work some language that</p>	<p style="text-align: right;">Page 209</p> <p>1 Defense Department endorsed the movement of the group up to 2 29 Palms, building what would have turned out to be about a 3 \$650 million base there. That became impractical, and that 4 was turned around in BRAC 93, and we were told to go in the 5 direction that we're going. So we really are without a lot 6 of viable options, other than to proceed as we're going. And 7 I think we can do that effectively. 8 As far as March Air Force Base, it is a good base. 9 We have been out there over the years. It's one of our -- it 10 is in fact our principal area port of departure when we ship 11 Marines out of the West Coast, out to crisis response. But 12 the fact is that, as I understand it, the Air Force, of 13 course, has closed that as an active base. It will be a 14 Reserve and an Air National Guard base. 15 The policy and the capacity of the Reserve and 16 Guard is not to be able to operate that as a base with us as 17 a tenant. Under those circumstances, we can certainly 18 consider relocating there. But we cannot operate the base we 19 have -- neither the structure, the people, or the resources 20 within the department. And it would be the creation of an 21 additional base at a time when we are trying to draw down the 22 numbers of bases.</p>
<p style="text-align: right;">Page 207</p> <p>1 might give you that flexibility. 2 GENERAL MUNDY: Well, I think as the Secretary used 3 the term here, the flexibility in the options, or flexibility 4 in the language, would certainly be, in my view, in the best 5 interest. 6 COMMISSIONER MONTROYA: The other question is as 7 much an observation. I understand that there has been 8 continual dialogue in trying to have the Marines reconsider 9 the helicopter portion of their move to Miramar, and take it 10 to March Air Force Base. The community has been very active 11 in lobbying for that. It's our understanding that that 12 Department of the Navy decision, based upon operational and 13 funding reasons, is committed to the Miramar move. 14 And my observation is this. I lived for a number 15 of years in the San Diego area in my Navy life. And one of 16 the biggest issues in San Diego, and I think it remains there 17 is the helicopter noise down on the Silver Strand. 18 Helicopters seem to be more of an intrusion because of their 19 flight patterns and flight characteristics than jet aircraft. 20 And Miramar has been a base that is not quite like El Toro, 21 but it's sort of in that category from an encroachment 22 perspective.</p>	<p style="text-align: right;">Page 210</p> <p>1 So my recommendation to you, much as the March 2 option might be, is that we continue with no change to the 3 BRAC 91 and 93 decisions, or recommendations. 4 COMMISSIONER MONTROYA: Thank you, General. ADM 5 Boorda, this question may require an answer for the record, 6 but in the course of looking at all these bases of all the 7 services, it's become apparent in hearings and also visiting 8 that you all are right -- one must be very careful if you 9 dispose of ranges, industrial capacity or waterfront. 10 Because once gone, it's gone. And so that has been a 11 constant thought in our minds as a result of hearing from the 12 leaders in our military services. 13 And so one of the issues for me, in looking at the 14 Long Beach Naval Shipyard, has been the issue of home- 15 porting aircraft carriers. You can't avoid that; it keeps 16 coming up. It comes up in the Alameda context, in the 17 Edwards context, and now we're talking about San Diego. In 18 looking into that further, I have seen some of the San Diego 19 plans for home-porting. And there is considerable dredging 20 and filling that I think is part of that contemplated 21 construction involved. 22 And the concern I have there is, notwithstanding</p>

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our good intentions and notwithstanding our great plans, if I were disposed to want to stop the Navy from coming, that to me -- I'd like to be the attorney on the side of the environmentalists who would say, no dredging, no filling and so forth. So I'd like to know where we are in the environmental process regarding creating a mega home port in San Diego, given those characteristics; and the Navy's assessment of its probability of success, community involvement to date and so forth.

Because Long Beach is a wonderful waterfront facility, I think we would agree to that. And I hesitate to vote to close something without some assurance that we really can go somewhere else on the West Coast. Do you have any current information regarding that?

ADM BOORDA: The issue for me, with regard to San Diego is one where I think we're not writing on a blank page anymore. We've really gone quite a ways down the road toward creating two major carrier locations on the West Coast of the United States -- one in San Diego, and one in the Pacific Northwest.

There is a history of that, as you said, and there is a lot of work now with the community, with the port

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authority in San Diego, that controls the entire port complex, including the airports there. I think the best thing for us would be to give you, for the record, a chronology of all the things we've done -- which are basically a list of successes at this point -- and a prospective look at what we're going to do.

And of course we think we're going to be successful. The idea of closing Long Beach was not an easy one. And one of the things we looked at was San Diego versus Long Beach for home-porting. In previous BRACs, we closed a naval station and moved those ships to other ports. So we had already started that process. But I'd be glad to provide you -- there's a lot of environmental details here, or the record.

COMMISSIONER MONTOYA: I have a feeling there is. Thank you very much. Mr. Chairman, I'm completed.

COMMISSIONER CORNELLA: Thank you, Commissioner Montoya. Commissioner Lee Kling.

COMMISSIONER KLING: Thank you. Mr. Secretary, let me begin by saying thanks to you and all the officers in personnel, as we visited, for their indulgence. They probably put a lot of people out, but we really appreciate

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all the support and help that we got. I also would like to say I personally appreciate your comments concerning privatization, particularly dealing with Indianapolis and Louisville, because I do know that they're moving along.

And your support of that and your statement of that was very positive. And they're concerned, probably, about whether we, say, make some kind of recommendation to you, which is a question of how much authority we have. But if we make the suggestion that we would like to see it encouraged -- privatization -- I think they'll be a lot more comfortable now by your statement. So I thank you very much for that, and I think it's a wonderful direction to go.

Let me just hop around with a few different questions, if I can. We talked about the naval reserve, and certain of questions have been raised, and I'd just like to ask about the -- the Navy believes that we can move the reserve from Boston to New Brunswick, and that's about 150 miles away, I believe. Is there any concern about moving away from a population center and being able to continue to maintain that reserve situation?

SECRETARY DALTON: Yes, sir, it is, Mr. Kling. We looked at that situation with respect to how it affects

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reserves. And we found that as far as the recommendation to move to Naval Air Station Brunswick, that 60 percent of the reservists live within 150 miles of that facility. And we expect that for -- the air aspect and the service aspect will be done in Quincy, so overall, the reserves in the Northeast are adequately considered and taken care of with respect to our recommendation with that.

COMMISSIONER KLING: So you're comfortable with it?

SECRETARY DALTON: I am comfortable with it.

COMMISSIONER KLING: Turning to South Weymouth, and of course, there's concern there about closing. Rightly so, every community should. But the community there has stated that the Navy has violated their analysis procedures by considering a closure scenario that closes a reserve air station and moves its units into an active air station.

Could you maybe touch on that, and why you believe your recommendation was developed with the Navy procedure? And maybe ADM Boorda could -- or whoever.

SECRETARY DALTON: I'll be happy to, and I'll be happy for the CNO and Mr. Pirie to comment as well, with respect to that. We feel like we did comply with the proper analysis procedures. The Navy and the naval reserve have

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always tried to maximize operational capabilities together as part of the total force. And closing NAS South Weymouth reduced excess capacity at both active and reserve air stations; provided substantial savings; and maintained the most capable air station in the Northeast United States, vice two underutilized air stations.

And we do feel like that we complied with the spirit and the letter of the regulations. But would you like to add to that?

ADM BOORDA: Sure. Thank you, Mr. Secretary. There's a synergism here which is even better than many of the others we get. In maritime patrol air, about half the flight hours that reservists fly are flown in active missions, contributing with the active force -- not just training, but actually out doing it. In the case of logistics -- and when some of the airplanes move up, there will be logistics aircraft, 130s -- our entire logistics lift, other than what is on the aircraft carriers themselves is in the reserves. So this is a good move, putting reserves and active together in aviation.

COMMISSIONER KLING: Thank you, ADM Boorda. Could I ask a question, further, Admiral? Concerning the

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undergraduate pilot training, and your letter of May 25th, to Congressman Montgomery on this subject, could you please elaborate on your concern, your comments? Specifically the risks associated in conducting all intermediate advanced strike training at a single base.

In your words, you stated that this would be a difficult task and reduce the capacity for surge operations, and that could be unacceptable, considering the increased pilot training requirements I think we all know are there. Do you still support this recommendation to close Meridian? And do you have any concerns about it?

ADM BOORDA: Well, let me be very clear that what I'm going to say is my own personal opinion. The Department's opinion --

COMMISSIONER KLING: Good enough for me.

ADM BOORDA: Okay. The Department's opinion is as stated in the submission. This was a tough call, Meridian. Looking at the BCEG's figures, there's about an 18 percent -- and Mr. Pirie may want to be more specific than that in a moment -- about an 18 percent excess capacity if you do it all, all the strike training, at Kingsville-Corpus complex. That should be enough. As we watch, and for affordability

<p style="text-align: right;">Page 217</p> <p>1 reasons, properly at that time, in my opinion, Meridian ended 2 up on the list.</p> <p>3 As we look at this year's budget work that we're 4 doing, we see that we're a little bit light on fixed wing 5 aviation, and particularly in the strike community. And 6 there's already been a decision made that we will pick up the 7 Air Force's AF-111 mission, which is going to keep about four 8 squadrons of EA6Bs for us. And they train in the strike 9 pipeline.</p> <p>10 None of this is a whole lot more training. It's 11 small numbers. Could we do all that at Kingsville-Corpus 12 complex? The answer is yes. We could, if everything 13 happened the way I said in that letter, eat up almost all 14 that excess and have no surge capability.</p> <p>15 Again, speaking only personally, I would more 16 comfortable if I had a little surge capacity if we didn't 17 guess right on what we're doing. It is an affordability 18 issues though. And as I said in that letter, the real issue 19 is risk versus cost.</p> <p>20 I would hope, and in our initial hearing I believe 21 I said something very similar to this, that we could do a 22 better job of figuring out how to work better with the Air</p>	<p style="text-align: right;">Page 220</p> <p>1 what we anticipate the savings to be.</p> <p>2 COMMISSIONER KLING: Thank you.</p> <p>3 COMMISSIONER CORNELLA: Thank you, Commissioner.</p> <p>4 Commissioner Wendi Steele.</p> <p>5 COMMISSIONER STEELE: One moment, I didn't think he 6 was going to jump my way. Give me a second here. I'll start 7 off with something that's not big on scope or substance, but 8 it's kind of a principle issue and I'd just like to bounce it 9 off you and see what your thoughts are, Mr. Secretary.</p> <p>10 The Oakland FISC, as you're well aware, there was 11 special legislation passed to circumvent the BRAC process, to 12 allow the FISC to return to the city for a dollar a year for 13 fifty years versus going through the BRAC process and 14 closing. My personal concerns with that is, take a look at 15 Chicago, they're willing to pay to move tenants out of the 16 base. They want that land for city expansion.</p> <p>17 But in this case, now we have a city that gets it 18 for a buck instead of some sort of market value or cost to 19 move. My questions for the Navy on this are twofold. One, 20 the Navy is, as I understand, is still going to have to pay 21 to move the remaining tenants. I know there are not a lot of 22 them; that's something you're going to have to pick up in</p>
<p style="text-align: right;">Page 218</p> <p>1 Force and the base just to the north of there. This was good 2 air space. There's a bombing range right there. We can do 3 lots of good things together. There are reserves on the base 4 and National Guard.</p> <p>5 So I would hope that in your deliberations, you 6 could find a way to keep something at Meridian, to keep that 7 base alive providing the surge capability without large 8 expense to us. And that we could be smart enough to get the 9 benefits at Kingsville. That would require a lot of work, 10 and I have to tell you that is my own personal opinion and 11 not shared by the department.</p> <p>12 COMMISSIONER KLING: Thank you, Admiral. Maybe I 13 could see if there's any other personal opinions on this 14 subject that might help, by the way.</p> <p>15 SECRETARY PIRIE: Yeah, my personal opinion 16 coincides with the opinion of the department in this case. 17 And it is as ADM Boorda states. We can, in fact, do the 18 stick training at Kingsville-Corpus. It will, in fact, be 19 tight. Particularly if we bring on the extra squadrons that 20 may be contemplated; if we can afford them and do that.</p> <p>21 And it is a cost benefit analysis. It's \$30 22 million a year. And that's a considerable benefit to the</p>	<p style="text-align: right;">Page 221</p> <p>1 your budget. With not getting any money from the property, 2 it wouldn't revert to the city.</p> <p>3 And secondly, a legal question. Would the Navy, 4 under the lease, be liable for any environmental damage that 5 might happen while this becomes a megaport in the next fifty 6 years?</p> <p>7 SECRETARY PIRIE: I think we're going to have to 8 give you a detailed answer for the record, Commissioner. The 9 question about whether FISC Oakland should be closed or not, 10 is that the department recommends that it should be closed. 11 But the secretary, in his discretion, removed it from the 12 list.</p> <p>13 So our recommendation is to remain in status quo at 14 Oakland. Liability for environmental restoration remains 15 with the department regardless of whatever the disposal of 16 the property happens to be. We're well under way in working 17 that.</p> <p>18 COMMISSIONER STEELE: I'm sorry. The liability 19 part I meant was from now, in the future. I understand the 20 department is liable up until now, but if the properties went 21 through a normal BRAC processing and got returned to the 22 city, then the city becomes, or whoever buys the property --</p>
<p style="text-align: right;">Page 219</p> <p>1 department if we can realize those savings. Having said that 2 -- that's the view from the technical side.</p> <p>3 COMMISSIONER KLING: I understand. I just wonder, 4 Secretary Dalton, do you have any different feeling on that? 5 I don't want to stay with this subject, I know we've got 6 others now.</p> <p>7 SECRETARY DALTON: Mr. Kling, as the CNO and Mr. 8 Pirie have said, this was a thorough analysis. It was a 9 difficult recommendation because it's a relatively new 10 facility and it's certainly well supported by the community. 11 It really came down to an affordability issue and the 12 savings. And the savings being approximately \$350 million 13 over the twenty-year period that caused the recommendation 14 that it be closed. But it was a tough decision. It's a fine 15 facility with fine people, but that's the reason we came to 16 the conclusion that we did.</p> <p>17 COMMISSIONER KLING: Just a last question on that 18 subject and I'll relinquish my time. In all the figures that 19 you have put together, those figures, you still feel are 20 correct and adequate on this.</p> <p>21 SECRETARY DALTON: Yes, sir, our projection in this 22 case, I think it's \$345 million over a twenty-year period, is</p>	<p style="text-align: right;">Page 222</p> <p>1 My, I'm not a lawyer, one of few in the room, my 2 layman's understanding would be, whoever owns the property 3 would be liable. But in this case, the Navy would retain 4 ownership for the next fifty years for a whopping proceed of 5 fifty dollars. But would have to have, my guess would be the 6 liability for any damage to that property, to whoever they 7 lease it to.</p> <p>8 SECRETARY PIRIE: The liability for the past 9 environmental restoration is inescapable and stays with us 10 regardless of the disposal. For future environmental damage, 11 I'm not really clear what the terms of the lease would be, 12 but it seems to me that we would write the lease in a 13 protective way so that we would be covered for whatever is 14 done in the future, by whoever is the tenant.</p> <p>15 COMMISSIONER STEELE: And Secretary Dalton, I 16 wondered if you would comment on if you think we ought to 17 have the FISC go through the BRAC process or allow the 18 special legislation to proceed?</p> <p>19 SECRETARY DALTON: Madam Commissioner, I'd like to 20 elaborate further for the record, if I could, on that. I 21 don't have anything to add from what Mr. Pirie has answered.</p> <p>22 COMMISSIONER STEELE: Okay, thank you very much</p>

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switching to Guam. Secretary Pirie, in your letter to Representative Underwood, you stated that through long term leases, outright transferrals, or any other mutually agreeable arrangement, as much of the land and facilities as possible on Guam, you'd work out such agreements.

Do you feel that it's most beneficial for you if the Commission just lays hands off and allows you to proceed as you would; or would it help, given the past history of negotiations between the department and Guam, if we had language to help the revitalization move forward quicker?

MR. PIRIE: Well, as you know, we're advocates of flexible language wherever it can be supplied to us. We've had a number of discussions with Representative Underwood and Governor Gutierrez of Guam, and others about the disposition of the property. And I think we can come to an amicable understanding in this case.

In particular, the location of the MSC ships and the helicopter squadron seem to me that rather than directive language for the relocation of those, language that allows the fleet commander the flexibility to put those squadrons where it best suits his operational needs would be very helpful. And that would permit him to locate them in Guam

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for part or all of the future as may be best for them.

Back to the disposition of the property. I think that we are on a good track with the government of Guam. I think we can do it without a great deal of help. The more flexible the language, the better for us.

COMMISSIONER STEELE: Okay. Somebody can help remind me -- the recommendation that we received, were the MSC ships to go to Hawaii?

MR. PIRIE: Yes.

COMMISSIONER STEELE: So you'd like to open that up further and not designate Hawaii, specifically, in our report.

MR. PIRIE: Yes.

COMMISSIONER STEELE: Okay. The fuel farm on Guam -- just kind of finish Guam off here -- bad choice of words, excuse me, delegate -- finish the issue of Guam -- working out the operational chain of command on our visit we were told that you had actually -- the department as a whole would like to retain the fuel farm, that it was an oversight to have it on the list. Would you all concur with that?

MR. PIRIE: We would like access to the fuel farm. We would like to be able to use the fuel farm. Whether we

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own it or not is I think a matter of relative indifference to us.

COMMISSIONER STEELE: Okay. Well, we'll follow through with that one in writing just to make sure that we have the language that would be most flexible.

Only because I was caught off guard -- this is very rare -- I'm going to yield the balance of my time.

COMMISSIONER CORNELL: Thank you, commissioner.

COMMISSIONER DAVIS: Thank you, Ms. Sector. I'm sorry, because of inefficient management on my part I was unable to be here for your stirring opening statement. But I've read it very quickly and I do appreciate it, and I'm sorry that I missed it.

My questions are I guess pretty much along the same line I had before. Again, I appreciate Admiral Boorda's very thoughtful remarks about the pilot training. As you know, I was very concerned about the search capability and he's been very forthright in that process.

I do have another, I guess, pilot training question and I will try to get through it reasonably quick. In talking at the pilot training and talking to the Air Force about that kind of meshing that you are doing with the Air

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Force, I think that will work out very well. And then the prospect of moving -- no, I'm sorry -- setting up the pilot training and the way you've got it set up -- right now, just in Corpus Christi. It's my understanding you move all the T-44s to Pensacola. And with the increased NFO and WSO or basic NAV training, navigator training, do you have room to do all that down at Pensacola?

ADMIRAL BOORDA: It fits, J.B. I don't want to give anybody the impression that we can't fit it the way we have it, it's a surge issue. Are we going to do more consolidation in the Air Force? I think we'd like to, and I think the Air Force would like to and we're going to keep working the problem. But right now, no, things fit where we got them.

COMMISSIONER DAVIS: And this morning with the Air Force, Admiral Boorda, it came up that if the JPATS goes to be a turbo jet versus a turbo prop, that may cause the Navy some problems. Do you want to comment on that?

ADMIRAL BOORDA: Well, as you well know, we're going to have air space issues, depending on what JPATS looks like. And without knowing what JPATS looks like it's a little hard to anticipate that. I think that whatever

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happens, if JPATS is an airplane that requires bigger AOs, different kind of issues, you're going to see us have to consolidate more. That's the way we would deal with it. But that's really speculative until we know what the airplane looks like.

COMMISSIONER DAVIS: As you all can suspect, we've had a lot of help with some of things we're doing. And we even gave you a little help with the sight out at Corona, in that we've added it -- put it on to take a look at it. And as I pull on that string I find there are several maybe down sides to that process, that you've got all that consolidated, it's a fairly independent organization sitting there. And by moving it does that you cause you some distress, even though you deferred it because of the economic impact?

ADMIRAL BOORDA: I think -- if it's all right, I'd ask Mr. Pirie to answer it, because the real issues were not whether we could consolidate or move the functions at the tech facility but, rather, what was the employment in that area and what had happened in that area.

COMMISSIONER DAVIS: Basically, what we're getting from the communities is that it is a independent unit, it needs to stay as an independent unit because of the service

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it provides to both the second and third fleets. I just really need some of your guidance.

ADMIRAL BOORDA: We are technically more capable than we were four or five years ago, GPS, a lot of recording systems, a lot more 3-D radars, a lot more ability to know what happened and evaluate it makes that not as good a case as it might have been in the past. But the issues there are really employment issues.

Do you want to --

MR. PIRIE: No, I mean, I agree with your answer.

Technically, the DSEC looked at moving part of that activity to the Naval PG School where it would be co-located with the operations research faculty. And that looked to us to be a real kind of winning alignment. The other parts of it, some of it goes to China Lake, some to other Naval air research facilities. We did not see that we would lose anything that couldn't be -- wasn't really redundant elsewhere.

COMMISSIONER DAVIS: And I think my last question is that -- of course, \$64,000 question -- which I thought that you answered rather eloquently, Admiral Boorda. I haven't read the papers yet, but I don't know how the Sea Wolf fared in the mark-up, but is there anything that's

<p style="text-align: right;">Page 229</p> <p>1 happened, since you were at Portsmouth, to change your mind 2 on the kind of risks that we'd be taking if we close 3 Portsmouth. 4 ADMIRAL BOORDA: In the House mark-up Sea Wolf did 5 not make it. We still have to see what's going to happen in 6 the Senate. We're hopeful. I think I'd like to echo what 7 the Secretary has said before, and that is that this is an 8 uncertain business, that the 688s are going to be with us for 9 a long time, depending on how construction plans and funding 10 go; and I hope we'll be totally successful, but depending on 11 how they go, the 688 could become even more important for 12 even longer. And it's a pretty risky business shutting down 13 the center of excellence that takes care of that submarine. 14 COMMISSIONER DAVIS: Lastly, Mr. Secretary, I'd 15 like to thank you personally for every place I've been on a 16 naval base, they did not chastise me for my secondary 17 education. 18 (Laughter.) 19 COMMISSIONER DAVIS: And they were very kind to us 20 and they were very forthright in their answers. It was a 21 pleasure to be back on a naval base. 22 SECRETARY DALTON: Thank you very much,</p>	<p style="text-align: right;">Page 232</p> <p>1 less complicated maybe to do it, but we would hope to be safe 2 at both locations. 3 COMMISSIONER COX: Okay. And then finally on that, 4 let me ask you a question because we asked some of your folks 5 out in -- Drax Williams, specifically, in Marine West Coast 6 Aviation, who is in charge of it -- for some numbers to look 7 at the March option, and he provided us with some numbers. 8 And I will say we worked with him in '93, too, and frankly he 9 was closer on the numbers than the DOD was, as it well turned 10 out. 11 Those numbers that he provided the Base Closure 12 Commission -- us, personally and our staff, at our request -- 13 are vastly different than the numbers that we have gotten 14 from the Navy on the cost of the March option. I realize 15 you're not an expert on numbers, but my experience with Mr. 16 Williams is that his numbers have been very good. 17 I wonder if you just might comment -- these are not 18 even close, as you know, we're tens of millions of dollars 19 apart in a year. Could you give us, at least, some comment 20 on whether you think it might be somewhere in between, or 21 perhaps your folks didn't get to look at the whole picture or 22 -- how do you explain that enormous difference?</p>
<p style="text-align: right;">Page 230</p> <p>1 Commissioner. We appreciate having you, and want to 2 compliment you and all the commissioners for the exhaustive 3 schedule that you've had since we last met, all the places 4 you've been and the schedule that you've been on to get 5 around to hear from everyone. And we certainly welcomed you 6 aboard our naval facilities and appreciate having you and 7 commend you for all that you've done. 8 COMMISSIONER DAVIS: Thank you very much. Mr. 9 Chairman, I yield the rest of my time. 10 COMMISSIONER CORNELLA: Thank you, Commissioner 11 Davis. Commissioner Rebecca Cox. 12 COMMISSIONER COX: Thank you. I want to start by 13 just following up on a couple of questions that have been 14 asked by other commissioners, to make sure I understand. 15 General Mundy, if I could start with you on the 16 March Air Force Base issue. You indicated that certainly the 17 Marines are working with fixed and rotary aircraft in many 18 places, and that that's a doable situation. If we do 19 everything that the DOD has recommended, you'll have over 100 20 fixed wing, I think, and over 100 helicopters at Miramar. 21 Are you operating with that kind of volume and that kind of 22 air space with a mixed group?</p>	<p style="text-align: right;">Page 233</p> <p>1 GENERAL MUNDY: Well, let me say first and then I'm 2 going to turn here -- we have a convenient system here of 3 passing off to the guy on the end of the table. 4 COMMISSIONER COX: I see. I was hoping to get you 5 to answer to that one. 6 (Laughter.) 7 GENERAL MUNDY: You make a good point, and I would 8 say that in support of Major General Williams and his crew 9 out there that, indeed, the amount of money that it has cost 10 us to move from El Toro down to Miramar is I think as you 11 know already beyond what -- we've already been given more 12 money than was initially estimated. 13 So they have been, they're on scene and they look 14 at a lot of different things. Some of that relates, I think, 15 to the facilities that are available and to the perception of 16 the replacement versus the acceptance of a facility. For 17 example, we know we're closing a lot of housing, some 2,700 18 units up around El Toro, as we move south. They, on the West 19 Coast, understandably -- and I would, too, if we had the 20 money to do it -- would like to go down and rebuild a 21 quantity of housing in another area. 22 So some of that has been as a result of the</p>
<p style="text-align: right;">Page 231</p> <p>1 GENERAL MUNDY: Rarely. Probably in an exercise 2 or, you know, certainly operationally; but not on a routine 3 day-to-day basis. 4 COMMISSIONER COX: Not on a day-to-day basis? 5 GENERAL MUNDY: No. 6 COMMISSIONER COX: So that at least the volume 7 itself is different. 8 GENERAL MUNDY: The volume is considerable. There 9 are a lot of -- as I think you well know -- El Toro has four 10 runways, Miramar has one. So there are some complications. 11 You have the Marine layer that comes in from the sea that 12 complicates air traffic control, IFR versus VFR, from time to 13 time, seasonally. 14 So there will be more difficulty in operating there 15 than there would be if they were separated. But, again, my 16 fundamental belief is it's possible to do it. 17 COMMISSIONER COX: You could do it. It would be 18 safer to do it at March, were that an option? I mean, you 19 wouldn't disagree -- or El Toro or somewhere outside, if that 20 were an option. 21 GENERAL MUNDY: Well, I'd prefer not to say safer, 22 although that's debatable. I would prefer to say it would be</p>	<p style="text-align: right;">Page 234</p> <p>1 difference in those -- 2 COMMISSIONER COX: Right. Although the numbers, as 3 I understand, that they've given us on housing do not assume 4 we're going to build more, but do assume because San Diego 5 cost of living is higher that our costs are going to go up 6 moving to San Diego, which I assume even the Navy doesn't 7 disagree with. 8 GENERAL MUNDY: Yeah. As far as the other cost 9 factors, again, can I pass off to you on that, Robert? 10 MR. PIRIE: Well, if the issue is does the actual 11 estimated cost of the move from El Toro to Miramar exceed the 12 estimations in the COBRA model, I think that's not a 13 surprise; because the COBRA model, for one thing, excludes 14 environmental restoration costs. 15 COMMISSIONER COX: That's really not the issue. In 16 fact, the COBRA model was wrong, it now appears, by a three- 17 fold factor -- of actual spent dollars, not projected costs, 18 from El Toro to Miramar. 19 But that's not the issue. My only point was at the 20 time Mr. Williams and the very same BRAC staff told us that 21 the costs would be about where they're going to come out, 22 which is three times more than the Navy projected at that</p>

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1 time. My only point is that's a done deal, it's over, those
2 issues are -- nobody is looking at reopening El Toro. My
3 only point was that his track record on numbers, at least in
4 that area and involving those assets, has been a whole lot
5 better than the Navy's.

6 And I was wondering if, perhaps, you all might be
7 willing to give that a closer look given his track record.

8 MR. PIRIE: Well, I'm always interested in new
9 ideas. And not having the numbers before me and not having -

10 -
11 COMMISSIONER COX: We'd be happy to do it for the
12 record.

13 MR. PIRIE: -- had an opportunity to do a detailed
14 analysis of them, I can't tell you whether I believe them or
15 not.

16 COMMISSIONER COX: Okay. Maybe you'd just take a
17 look at both sets. That would be helpful.

18 GENERAL MUNDY: But let me reinforce, Commissioner,
19 if I may, again -- I'd like to say your thesis is not without
20 some degree of accuracy and that, yes, the projections out
21 there were pretty close because it looks like where we're
22 going.

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1 That notwithstanding, the prospect of moving to
2 March is more a function of just people and resources that we
3 don't have to be able to run that base.

4 COMMISSIONER COX: Sure.

5 GENERAL MUNDY: Were the base available could we go
6 there as a tenant?

7 COMMISSIONER COX: You'd love to.

8 GENERAL MUNDY: We would opt for it just like that.
9 But that's not possible.

10 COMMISSIONER COX: I understand. And I didn't mean
11 to follow-up that closely. Secretary Dalton also to follow-
12 up on the Corona issue and, frankly, you know I wish in a
13 sense you hadn't looked at it on a political basis because
14 there are a lot of military arguments for Corona and I wonder
15 if you might take a look at that.

16 I'm in the airline business, we have the National
17 Transportation Safety Board. It's an independent group, it
18 oversees everything from our training to accidents to whether
19 the FAA is doing the right thing. There are a lot of people
20 who -- I'm sure Boeing would like to have the NTSB working
21 out of Boeing's offices. The FAA itself wouldn't mind having
22 the NTSB under it.

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1 But we've all decided, as an airline industry, that
2 it's important to have that independent outside look where
3 they don't have any other role -- they're not involved in
4 planning or procurement or promotion of GPS or anything else.
5 They can look at it independently.

6 I see Corona coming out of the airline business
7 very much in that same category, they're an independent
8 group. And you all are proposing to move them to the -- you
9 aren't, Secretary Dalton -- Secretary Perry and the Navy are
10 proposing to move them to the equivalent of the FAA or
11 Boeing. And I worry about that on an independent assessment
12 basis. I wonder if you wouldn't mind, Secretary Dalton, I
13 know you took them off the list on a political basis and
14 maybe, therefore, didn't have an opportunity to look at the
15 military independent assessment issue -- if you wouldn't mind
16 commenting on that.

17 SECRETARY DALTON: Well, Commissioner, as I
18 indicated, I don't really have anything much to add beyond
19 what I told you at our previous meeting. It was the decision
20 that I made with respect to looking at the total impact of
21 that had been done in BRAC '93, BRAC 91, and looking at BRAC
22 the recommendations we were making to the states of

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1 Florida and South Carolina and California, had all been hit
2 significantly --

3 COMMISSIONER COX: No, I understand that you --
4 SECRETARY DALTON: -- and those are the reasons

5 that we made the decision. And after the recommendation that
6 we made on Long Beach, which was painful but we thought was
7 necessary, we made the decision that we did with respect to
8 those other facilities.

9 COMMISSIONER COX: I guess what I'm saying is it
10 might be helpful if you would look at it not an economic
11 impact basis, but on a military value added basis because I
12 think we would be interested in your thoughts on that, too.

13 And, Admiral Boorda, you look like you wanted to
14 say something on that?

15 ADMIRAL BOORDA: No. Only that, in fact, we've
16 done that. And that's why it would have been on the list had
17 it not been for economic issues. The independent look that
18 you talk about -- and I'm not suggesting you put it on the
19 list, I mean, it's not on the list now, you added it for
20 consideration --

21 COMMISSIONER COX: We added it, right.

22 ADMIRAL BOORDA: But the independent look you talk

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1 about could be done easily from another place, and that's the
2 postgraduate school. They also are not fleet operators.
3 They do assessments for us in a lot of areas.

4 COMMISSIONER COX: Okay. And I have just two other
5 quick questions, and they're really sort of "what if." You
6 all proposed that we reverse a '93 decision to move NAVSEA to
7 White Oak and instead move it to the Navy Yard.

8 Also in '93 we indicated that SPAWAR ought to stay
9 in the area, although I don't think we specifically said --
10 if we did not take your redirect on NAVSEA to White Oak, the
11 SPAWAR people have indicated that they believe that there are
12 more synergies with what they do here than what they do in
13 San Diego and prefer to stay in the area.

14 If we did not would you be supportive -- not move
15 White Oak, if we left White Oak open and moved NAVSEA to
16 White Oak would you be interested in leaving SPAWAR at the
17 Navy Yard?

18 SECRETARY DALTON: That's pretty convoluted. Our
19 plan is -- we think that what we're recommending to you makes
20 the most sense and we recommend that you take it. But the
21 hypothetical, I'll ask Robert to --

22 MR. PIRIE: Yes. That is a hypothetical question I

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1 I would dearly love to leave severely alone.

2 (Laughter.)

3 MR. PIRIE: We're recommending moving SPAWAR to San
4 Diego because it allows us to achieve a considerable
5 consolidation of staff and support for SPAWAR and
6 considerable savings over the years. And that savings is not
7 allowable with other options, such as Navy Yard, such as
8 Hanscom Air Force Base.

9 COMMISSIONER COX: So unrelated to the fact that if
10 we move NAVSEA to the Navy Yard, you would not have room for
11 SPAWAR -- you would still recommend that we move SPAWAR to
12 San Diego?

13 MR. PIRIE: Yes. Absolutely.

14 COMMISSIONER COX: Thank you. And then, lastly,
15 Secretary Dalton, we recently received a letter from the
16 Secretary of Transportation expressing concern about the
17 Coast Guard at Adak. I wonder if operations of the Coast
18 Guard were given consideration on the Adak proposal.

19 SECRETARY DALTON: I haven't seen that
20 correspondence, Commissioner. I'll be happy to take a look
21 at it. With respect to the Coast Guard at Adak --

22 MR. PIRIE: I've seen it -- and it came in very

<p style="text-align: right;">Page 241</p> <p>1 late, as a matter of fact. And we believe that the Coast 2 Guard has other options in the Aleutian Chain and elsewhere 3 in Alaska to support their operations. However, if they wish 4 to take over NAS Adak and pay \$25 million a year to operate 5 it, I'm sure that we can come to some kind of an agreement. 6 COMMISSIONER COX: You're willing to work with 7 them, to work out their operation problems. 8 MR. PIRIE: I'm willing to work with the Coast 9 Guard any time. 10 COMMISSIONER COX: Thank you. 11 COMMISSIONER CORNELLA: Thank you, Commissioner. 12 It's my distinct privilege at this time to introduce our 13 chairman, the distinguished chairman of the 1995 Defense Base 14 Closure and Realignment Commission, former senator from the 15 great state of Illinois, Alan Dixon. 16 CHAIRMAN DIXON: Thank you, Mr. Chairman. 17 Gentlemen, may I first say to you I apologize for being gone 18 during some of your testimony. As men of your importance, I 19 hope you understand there are some housekeeping duties by now 20 with the vote starting next Thursday. I'm only going to ask 21 three questions. 22 One is one I would rather not ask. And I say in</p>	<p style="text-align: right;">Page 244</p> <p>1 talked about it a minute ago. 2 It's my personal opinion -- it's not the 3 Department's opinion -- that we're right on the margin of 4 surge capability. I agree with the numbers that the BCEG has 5 done. And that would give us about 18 percent excess 6 capacity training at Kingsville, using the Kingsville-Corpus 7 complex. That requires everything to go just right. 8 I would like -- personally, not the Department's 9 position -- to be able to find a way to work better with the 10 Air Force to keep some residual capability there for surge; 11 to keep that place open, not totally closed, and still try to 12 get the flexibility to get the savings from combining things 13 at Kingsville. That would require you to give us more 14 flexibility than we have asked for. And that's why I say 15 it's my personal opinion. 16 If everything goes exactly as planned, we'll be 17 okay and we will close a very good and very new base that was 18 hard for us to put on the list. 19 CHAIRMAN DIXON: Well, I hear you, but let me tell 20 you my problem with -- I respect the answer. Let me tell you 21 my problem, now. I was here in the Reagan years. I voted 22 for the build-up. If I was here I'd still be voting against</p>
<p style="text-align: right;">Page 242</p> <p>1 advance of the question, Mr. Secretary and Admiral Boorda, 2 that I know and respect you both for everything you do; and 3 even when I don't agree with you, I understand pretty clearly 4 what your position is. 5 Now, I'm compelled to make this statement and ask 6 this question. I hope you understand it. I'm not trying to 7 put you on the spot, but eight of us have to vote. 8 You recently revised the projected pilot training 9 rate -- now, it's been discussed a little but we haven't 10 gotten specific -- to reflect increases in pilot training 11 requirements, including the introduction of additional FA- 12 18s, EAG-P squadrons. I have seen, and it is in our packet, 13 Admiral Boorda, the letter you sent to the distinguished 14 congressman from that district who all of us have great 15 affection for. 16 Now, you conclude -- I won't bore the audience with 17 the whole question by saying this -- the combination of 18 increased strike PTR in a single-strike training base makes 19 successful completion of our projected PTR more difficult and 20 reduces our capacity for surge operations, and that could be 21 unacceptable. I understand that. 22 But the trade-off remains the degree of difficulty</p>	<p style="text-align: right;">Page 245</p> <p>1 the reductions. All right? But that's Alan Dixon, and 2 that's not the country, and that's not the Congress right 3 now. And I accept that. There's a change. 4 Now, all of us wish there was more. And we're 5 going to have to make some tough choices here. Now, there's 6 a 40 percent reduction in authorized and appropriated 7 amounts, and a 30 percent reduction in force level. And if 8 we give you everything that all of you have asked for -- 9 nothing more than that, let's assume that, it's not the way 10 it's going to happen, exactly, but let's just assume that for 11 the purposes of our discussion -- if we give the DOD 12 everything they ask for, it's 21 percent. So there's excess 13 capacity out there. 14 Now, I know there's a lot of risk and a lot of 15 stuff we're doing, but I have to say that, unfortunately, 16 you, the guys that are going to have to make these judgmental 17 decisions in many cases -- now, I don't say we can't change 18 these things, some of them we're arguing about, we might have 19 some different ideas, in fact, and all the services might 20 have some different ideas, some at the margin, some at the 21 heart, maybe. But it's on numbers where there's an arguable 22 difference.</p>
<p style="text-align: right;">Page 243</p> <p>1 or risks versus costs to operate two strike training bases. 2 And I understand that. Now, this morning one of my 3 distinguished colleagues asked General Sullivan, and 4 Secretary Togo said, "Now, here, you're closing two depots" -- 5 and then they went through kind of a hypothetical case. And 6 I said, "Isn't there a lot of risk in this?" He said, "Yeah. 7 There's a lot of risk in that, but we considered it as an 8 acceptable risk; in view of the cost, we recommend doing it." 9 And, you know, I'm going to be honest with you now. 10 This is one of them that we're going to have a tough time 11 with around here, so I'm compelled to ask both of you in a 12 specific way about Meridian. Now, what are you telling us 13 here? We know you're getting it down to one, you're going to 14 save a lot of money, but is it an unacceptable risk? Now, is 15 it acceptable or isn't it acceptable? I guess that's what I 16 have to ask you. 17 ADMIRAL BOORDA: As I was -- Mr. Secretary, do you 18 want to go first? 19 CHAIRMAN DIXON: I almost hesitate to use your own 20 words to ask the question, but -- 21 ADMIRAL BOORDA: No, I'm glad you did. Inasmuch as 22 they were mine, let me answer your question. I think we</p>	<p style="text-align: right;">Page 246</p> <p>1 But it's hard for those of us, I will say in due 2 respect we have three distinguished men that had the 3 experiences you had up here that I'm privileged to serve with 4 here -- but it's hard for us to make that kind of a judgement 5 about this doggone thing. I just want to level with you 6 about that. I don't feel comfortable with it. I don't want 7 to take an unnecessary risk. So I hate to pursue it beyond 8 that. 9 I don't know, Mr. Secretary, do you have anything 10 further you want to say? 11 SECRETARY DALTON: Mr. Chairman, as the CNO has 12 indicated, this was a tough recommendation for us because of 13 the points that he has outlined. We do feel like that the 14 Kingsville-Corpus Christi complex has sufficient capacity to 15 single side all our Department of the Navy strike training. 16 Even if we do add the 10 flight squadrons and relocate the 17 E2-C2 train to Kingsville. 18 He's made the point with respect to what would 19 happen. We don't plan on bringing on 10 additional squadrons 20 at this time. As a matter of fact, we're talking with 21 discussions between three and six. But if we did, we could 22 make it. So we have the ability to do it. It still makes it</p>

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1 a painful recommendation that it be closed, but that is our
2 recommendation.

3 CHAIRMAN DIXON: Well, here's what I'm going to ask
4 you to do. We're going to vote starting next Thursday
5 morning at 8:30 a.m. I'd like my colleagues and friends here
6 on this panel here to have one day of rest of prayer.
7 Sometime by the end of the day Tuesday we'd like to hear
8 further from you on this close call that will resolve in your
9 mind your judgement as our leaders in that field about the
10 risk versus cost thing that you ultimately make your decision
11 on it.

12 Because if you leave it this way -- I'm willing to
13 have you leave it that way, and then we'll hassle with it.
14 But we do see what you're saying to us. We understand it.
15 It's just kind of hard for us to make a call. We've got it
16 on the list. It takes five to take it off -- I would remind
17 you -- we'll all eight be here. And I think it's one we need
18 to know more about. All right? Sorry to put it back in your
19 lap --

20 SECRETARY DALTON: Sure. That's fine.
21 CHAIRMAN DIXON: Okay. Two more. I put this, Mr.
22 Secretary, to the other services and I put it to you and your

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1 colleagues, that what we are seeing here in this unpleasant
2 duty that we're undertaking to the best of our individual
3 abilities is doing this job and recognizing you are going to
4 leave some excess capacity out there. We all see that,
5 everybody tells us that in these public meetings and in
6 private. And probably ought to look again sometime.

7 Now, everybody knows nobody wants to look in two
8 years. I don't see any congressmen come up to me and say,
9 "I'd like to have another round two years from now."
10 (Laughter.)

11 CHAIRMAN DIXON: Ain't too much demand for it. And
12 don't really think there's much stomach for it in the
13 country, to be truthful with you. But I think it is true we
14 ought to look again sometime.

15 And recognizing presidential politics and all,
16 there's beginning to be a kind of a consensus that maybe
17 about 2001 -- which lets two presidential elections
18 intervene, and also has the nice number there because it's a
19 culmination of all the BRACs out there. And we're thinking
20 that we might take a look at the possibility or recommending
21 one more to take another look after the dust has settled, and
22 wondered whether you have a positive or negative view -- any

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1 of the four of you as experts in the field -- about that.
2 SECRETARY DALTON: Mr. Chairman, I think that the
3 process is a good process. It is one that has worked well.
4 It's difficult -- and it's a difficult job that you have --
5 but it is one that I think was properly devised and one that
6 does offer the opportunity to close excess capacity and get
7 rid of things that we don't need.

8 As we all know, as our budgets have come down, we
9 had too much infrastructure and this process has done a great
10 deal to eliminate what we don't need. I would think that
11 that sort of time frame would allow the consolidation to, in
12 fact, occur, that has happened in BRAC '88, '91, '93, '95.
13 And most of '95 would have been complete by then, in terms of
14 the six years.

15 So that is a time frame that I think would give
16 each service the opportunity to see how it is operating with
17 the new structure, see if indeed the excess capacity at the
18 margin or if it really is more than is necessary. And if
19 that were the case, I think that another round at that time
20 would indeed make sense, and it seems to me that would be an
21 appropriate consideration for discussion.

22 CHAIRMAN DIXON: I thank you for that. Now, the

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1 last and final thing related to that is that we take note of
2 the fact that throughout these rounds there have been
3 alterations, realignments and changes and so forth, in the
4 BRACs. And we suspect that there's a probability some of you
5 may want to revisit some of those things in the future. I'm
6 not talking about any other bases haven't been touched.

7 But I'm talking within the BRAC process. And we'd
8 like to hear from you, we've asked the other services -- we
9 don't want to set up some bureaucracy out there that's going
10 to cost the taxpayers a lot of money -- but we'd like to have
11 your suggestions about how the idea of reviewing these BRACs,
12 so you're comfortable with everything you have done, would be
13 -- in other words, Senator Strom Thurmond is asking us to
14 come before the Armed Service Committee in the Senate in a
15 couple weeks, and we'd like to be able to say, "Here's what
16 we think about BRAC in the future. Here's what we think
17 about reuse. We've got people working on it. Here's what we
18 think about realignments or reviews of this BRAC stuff in the
19 next several years."

20 SECRETARY DALTON: Mr. Chairman, we'd be happy to
21 provide that, our opinions to you on that subject.

22 CHAIRMAN DIXON: Thank you. Well, I just want to

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1 say that, General Mundy, we all understand you're retiring at
2 the end of the month. And we just want to say we appreciate
3 you spending part of your last few weeks with us. We honor
4 and congratulate you, sir, for your distinguished career of
5 service to the nation and the Marine Corps, we're proud of
6 you. Thank you, sir.

7 ADMIRAL BOORDA: I thank you very much, Mr.
8 Chairman. And you have just spoiled my rapport with the CNO
9 because he has sworn that if he comes up here and has to
10 listen to anymore compliments about me he's not going to
11 invite me over for dinner or something.

12 (Laughter.)

13 ADMIRAL BOORDA: So I told him if he'd wait three
14 years, it will be his turn.

15 SECRETARY DALTON: I thought we were going to get
16 through a whole hearing without that, for once, but we
17 didn't.

18 (Laughter.)

19 ADMIRAL BOORDA: Thank you, sir, it's a pleasure to
20 serve.

21 COMMISSIONER CORNELLA: Thank you, Chairman Dixon.
22 Commissioner Joe Robles.

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1 COMMISSIONER ROBLES: I just have one question. I
2 know you've had a long afternoon. It relates to an issue
3 that we've been, sort of, wrestling with which private sector
4 versus in-service work across a whole gamut of activities.

5 And my question directly relates to the Portsmouth
6 visit. You're using the private sector to do some nuclear
7 refuelings for your carriers. With the closure of Long
8 Beach, you're going to have to rely more on the private
9 sector to do some of that work.

10 What about the submarine force? Have you
11 considered or is there some overriding operational -- we saw
12 the intricacies of nuclear work and the intricacies of
13 submarine work, the closed bases, the very highly specialized
14 facilities, but you seriously looked at moving some of that
15 workload into the private sector?

16 ADMIRAL BOORDA: Long Beach has -- I know you know
17 this, but just so the record will be right, Long Beach has
18 nothing to do with any of that nuclear work.

19 COMMISSIONER ROBLES: No. I understand, non-
20 nuclear work.

21 ADMIRAL BOORDA: With respect to submarine nuclear
22 work, we have a lot of work in the private sector. Right now

<p style="text-align: right;">Page 253</p> <p>1 most of that work is construction. The construction of a 2 submarine and the putting together of the nuclear power plant 3 and fueling it is a much different operation than refueling 4 or defueling. 5 Oddly -- probably not oddly enough, I think you'd 6 probably understand refueling and defueling is a much more 7 complex operation because you're work a hot reactor, and 8 you're working with radioactive materials from the very 9 beginning in a confined space. We had not planned on moving 10 that work to the private sector. 11 COMMISSIONER ROBLES: So there is really no plan, 12 long term-plan even to consider doing that function or piece 13 of that function? 14 ADMIRAL BOORDA: As long as we have to do 15 refueling, defueling and overhaul work for the -- focus on 16 the 688 Class for a minute -- for the 688 Class, and in 17 everything goes exactly like it's supposed to -- the last 688 18 doesn't go away until 2026 -- then it would make sense for us 19 to do that work in public yards rather than in the private 20 sector. 21 COMMISSIONER ROBLES: Okay. Thank you, Admiral. 22 COMMISSIONER CORNELLA: Thank you, Commissioner</p>	<p style="text-align: right;">Page 256</p> <p>1 Navy has declared to be excess to their needs. 2 Also, we understand that there is no disagreement 3 within the Navy as to the recommendations of this report. 4 Would the Navy have any objection if this Commission included 5 in its report recommendations to transfer those Navy lands in 6 the Glut '94 report to the Government of Guam under the 7 procedures of the Base Closure Act? 8 SECRETARY DALTON: That would be fine, Mr. 9 Chairman. We would have no objection. 10 COMMISSIONER CORNELLA: Thank you, Mr. Secretary. 11 A question or two on Lakehurst. That is something we haven't 12 talked about today. Lakehurst, as you gentlemen know, 13 handles all the launch and recovery, research and 14 prototyping, procurement, testing. 15 It appears that little would be moved from there 16 other than some of the heavy machinery and the 17 remanufacturing of some of the equipment, the manufacturing 18 of single-point items, items that if they failed would cause 19 a ship to go over the deck. 20 What would remain would be, basically, in my 21 understands now, you can correct me if I'm wrong, but the 22 engineering buildings would remain. Three buildings would</p>
<p style="text-align: right;">Page 254</p> <p>1 Robles. I would like to finish up with a few questions that 2 I have. Going back to the consideration of Guam, not to be 3 redundant but to be a little more precise on some of the 4 testimony we received, in regarding to the MSC ships and HC- 5 5, we understand that the senior leadership in the Navy has 6 had discussions with Governor Goodarest and Congressman 7 Underwood from Guam concerning the MSC ships and their 8 helicopter squadron HC-5. 9 We also heard that you and a delegation from Guam 10 are in essential agreement as to a change in the 11 recommendation that will be a win-win position for both 12 parties. 13 It appears to us that the decision to relocate or 14 locate the MSC ships and HC-5 at a particular location is not 15 a decision that depends on whether a particular base is 16 closed or not and whether either unit has more than 300 17 civilian personnel. 18 Consequently, would it be acceptable to you if the 19 Commission made no decision as to the final location of MSC 20 ships and HC-5 and recommended any such decision be made by 21 the Navy at some time in the future when the leadership of 22 the Navy found it necessary?</p>	<p style="text-align: right;">Page 257</p> <p>1 remain. 2 The testing facilities would remain, the launch 3 testing facilities, the test tracks, the airport. Most of 4 those types of facilities would remain. 5 It's my understanding that in determining the cost 6 of the closure that the cost of moving that equipment was not 7 figured -- there are about 300 pieces of equipment there -- 8 and that when it was determined they were not included, the 9 local command was asked to arrive at the number of pieces of 10 equipment they needed to move in order to do the job, and 11 they came up with a number somewhere, as I remember, around 12 124. 13 They were told that that number really did not fit 14 into the model, and that 74 was the right number. I have two 15 questions, I guess. One would be your feelings on that 16 comment, if you feel they are accurate in regard to that move 17 and whether or not you feel it makes sense to overhaul those 18 large launch valves, the steam launch valves in Jacksonville 19 and then ship them to Lakehurst for testing. If you could 20 answer those two questions for me, please? 21 SECRETARY PIRIE: With respect to the first issue, 22 what is the proper amount of equipment to be shipped, that</p>
<p style="text-align: right;">Page 255</p> <p>1 SECRETARY DALTON: Mr. Chairman, that would 2 certainly be acceptable. We did have a meeting. I had a 3 short meeting with Mr. Perry, met with the Governor and the 4 delegate at length. 5 SECRETARY PIRIE: As did Admiral Boorda. 6 SECRETARY DALTON: And I defer to him. 7 ADMIRAL BOORDA: Because you don't have to make 8 that decision and we can, it will give us some added 9 flexibility. It will help Guam, and particularly in the case 10 of those MSC ships, they're not often in their own port 11 anyway. They're out working wherever we want them to work. 12 That's why they're in the MSC. 13 So I think it makes good sense. The Governor, 14 Secretary, Assistant Secretary and I all agreed that the 15 flexibility would be useful, and then we can make that 16 decides when the time is right. 17 COMMISSIONER CORNELLA: Thank you. In addition, 18 some comments about what's called the Glut '94 Lands. We're 19 interested in helping ease the process of transferring excess 20 federal land in Guam to the Government of Guam. 21 And we understand that there are some 4,000 acres 22 of Navy land included in a report known as Glut '94 that the</p>	<p style="text-align: right;">Page 258</p> <p>1 was a discussion between the chain of command of Lakehurst 2 and the commanding officer, and it is perfectly consistent 3 with our system for the chain of command to decide what's the 4 appropriate amount of stuff to move when a base is closed. 5 The normal dialogue that takes place when a base is 6 nominated for closure is that the command immediately says, 7 "Well, you can close me, but you have to replicate my entire 8 base at a piece of real estate of my choosing brand new." 9 And discussion goes on from there about, "No. 10 That's not what we had in mind. That's excess capacity we're 11 talking about. We want you to close the base entirely." 12 That discussion goes on, and that is provided for in our 13 system. 14 So what you have seen in all that is the product of 15 that. Certainly, the command doesn't like being told, "No. 16 only 74 pieces, not 124," but that's the prerogative of the 17 system's commander to decide that. 18 Now, with respect to overhauling the valves in 19 Jacksonville, I think that's an entirely reasonable position. 20 It's a fine industrial facility, and there is no reason for 21 us to replicate industrial facilities all along the East 22 Coast.</p>

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1 COMMISSIONER CORNELLA: You know I understand that
2 explanation, and I could believe it if we could take and
3 close that facility. So you tell me what kind of advantages
4 are to be gained other than back-filling Jacksonville by
5 moving that equipment out at Lakehurst.

6 SECRETARY PIRIE: The real problem was that the
7 expense of moving the test facilities which are in place
8 was -- we really couldn't come to closure on that. It would
9 have been better, if the expense had been right, to relocate
10 all of that stuff at Patuxent River.

11 But in the end, we really -- it was a very hard
12 decision, and we really decided that was the engineering and
13 the test facilities that we had to leave. It would have been
14 better to close the whole place, yes, sir.

15 COMMISSIONER CORNELLA: Thank you, sir. And I
16 thank all of you gentlemen, and I'm going to make Admiral
17 Boorda sit through this one more time because I, too, was
18 going to thank General Mundy for his many years of stellar
19 service and leading the young men of this country in the
20 Marine Corps. We appreciate your service to our country,
21 sir. Thank you.

22 GENERAL MUNDY: Thank you very much, Commissioner.

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1 COMMISSIONER CORNELLA: And we would also like to
2 submit written questions for the record. We will be getting
3 those over to you. Thank you.

4 (A brief recess was taken.)

5 COMMISSIONER CORNELLA: We will continue. I'd like
6 to introduce the next panel, Ms. Marge McManamay -- I'm going
7 to get it right this time -- Lieutenant General Babbitt,
8 Secretary Josh Gotbaum and Mr. Bob Bayer. Welcome.
9 Secretary Gotbaum.

10 SECRETARY GOTBAUM: Mr. Chairman, members of the
11 Commission --

12 COMMISSIONER CORNELLA: Excuse me one moment. We
13 need to swear you in. If you would please rise and raise
14 your right hand. We almost made it through the first day
15 without making that mistake, but we'll get it done here.

16 (Panel sworn.)

17 COMMISSIONER CORNELLA: Thank you. Secretary
18 Gotbaum.

19 SECRETARY GOTBAUM: I'm sorry to hear that we're
20 the first group you've heard today that you were sufficiently
21 worried you had to swear them in.

22 After all of the hundreds of hours of hearings that

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1 you all have done, frankly, on behalf of the Secretary and
2 the Department the first thing I want to say is we're very
3 thankful for the opportunity you're giving us to get a last
4 word in, since there is, obviously, a lot that has happened.

5 Before I get to specifics, if I may, I'd like to
6 make a couple of points, not necessarily because you will not
7 have heard them before but because we think they are
8 sufficiently important that we make them.

9 The first one is that an aggressive program of base
10 closure remains absolutely necessary. Without it we simply
11 are not going to have the funds we need to maintain the
12 forces we have to have for readiness in the next generation.

13 There has been a lot of rhetoric recently about the
14 end of the decline of the defense budget, and there is even a
15 prospect that our budget at the Department of Defense may be
16 increased some this year.

17 But whether it is or is not, the fact of the matter
18 is that the Defense budget is still going to be down versus
19 the mid-'80s by about 40 percent. Our force structure is
20 going to be down about 40 percent, and our infrastructure is
21 down about 20 percent.

22 CHAIRMAN DIXON: Is that correct, Mr. Gotbaum?

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1 I've been seeing 30 percent on force structure, and I want to
2 know if I am corrected on that.

3 SECRETARY GOTBAUM: I will tell you, sir, that when
4 I first said that we don't have very good measures of
5 infrastructure, we have even fewer -- or rather, we have even
6 more measures of force structure.

7 So when I say generally a third to 40 percent, what
8 I'm really doing is giving you a melange between number of
9 fighter wings, number of active duty troops, number of ships,
10 et cetera. It's somewhere between 30 and 40 percent. I
11 promise you we can gen up a statistic that will confirm your
12 view.

13 But the critical point is by whatever measure our
14 force structure is down considerably more than our
15 infrastructure, which is down about 20 percent.

16 The recommendations the Secretary of Defense placed
17 before you would reduce our infrastructure by about another 5
18 or 6 percent.

19 It would result in savings to the Department or the
20 taxpayers over a couple of decades net by something on the
21 order of \$18 billion. That's money we need. That's really
22 my first point. It's our most important point by far.

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1 Second point, our process is not perfect, but it is
2 considerably more objective than some of the stuff that we
3 have heard that has been presented to you all.

4 Like you, and in some cases with you over the last
5 three -- we have, over the last three months, gone over our
6 recommendations and alternatives that have been suggested in
7 light of the sustained analysis and criticism from
8 communities, their consultants, et cetera.

9 And with very few exceptions, some but very few, we
10 still feel that the recommendations we made to you are sound.
11 They're still right. Both the recommendations for closure
12 and the ones that ought to endure.

13 This does not mean that the results are perfect or
14 without error. We already last week sent a letter to the
15 Commission admitting that our analysis of Kirtland was not
16 right and therefore withdrawing our recommendation that it be
17 realigned.

18 And I would like to deliver today and insert for
19 record a similar review of some work in the Army,
20 particularly at Dugway in which we conclude that for a
21 variety of reasons more operational than cost-driven we don't
22 think that recommendation makes sense in light of the

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1 continued analysis that has gone on.

2 So not perfect, not that there are no mistakes, but
3 the law has required and we've tried to be very objective and
4 do so. That's not always the case with everything you've
5 heard before you, and I know you know it, but I think it's
6 important for us to remind you.

7 You've spent a lot of time now going through this
8 stuff. You've heard talk from communities, from their
9 consultants, many expert consultants, including some very
10 distinguished flag officers and in each case urging you to do
11 a little less, do a little different, keep a piece on this
12 base, move some workload here, et cetera, leave just a few
13 active operations, whatever.

14 You have also, I suspect strongly, have heard from
15 within DOD from officers who would like to keep or add to
16 their existing infrastructure but without the responsibility
17 for paying those costs.

18 As you weigh this, and you obviously must, and we
19 know you will competently, all we ask is that you remember
20 that these folks do not have an obligation to protect the
21 national defense within a fixed budget, and we do, and we
22 would assert you do.

<p style="text-align: right;">Page 265</p> <p>1 As part of that, we would ask as you continue your 2 review that like my other court of review, which this 3 Commission obviously is, that you recognize the professional 4 operational and military judgment that has gone into these 5 recommendations and give it appropriate deference. 6 As you know, the Chairman of the Joint Chiefs of 7 Staff has testified, and as you've seen before you a lot of 8 very senior military as well as civilian time went into these 9 because this is not just a matter of counting beans. 10 This is not just a matter of dollars. It's a 11 matter of operations, and there are some recommendations 12 which are, obviously, controversial but which we made based 13 on strong military advice. 14 I'll give you one example that I know is before the 15 Commission is Grand Forks. In our view, the issue is not 16 whether you could save money or not but closing all of Grand 17 Forks. 18 But it is the considered judgment of the Chief of 19 Staff of the Air Force, of the rest of the military 20 leadership, in fact of each of the operational commanders 21 that that is a facility which we want to keep on an operating 22 basis. So as you review, as you take this into account, we</p>	<p style="text-align: right;">Page 268</p> <p>1 facilities not necessarily at Hill. 2 But in our view, it simply makes no sense to do a 3 180 now because we are engaging here in joint maintenance, 4 and we're doing it on a basis that we think is cost- 5 effective. So that's one issue on tactical missiles and the 6 question of how we resolve excess capacity. 7 Let me talk, if I may, a minute about labs and how 8 we reduce lab capacity. You know almost as well as we, 9 probably as well as we that the local community is concerned 10 about the closure of Rome Labs, that Rome is an excellent 11 facility whose closure would affect the entire central New 12 York region. 13 We recognize that. We just don't think that there 14 is an alternative. We have excess lab capacity throughout 15 the Department of Defense. We believe, and we have looked at 16 the issue again and we have not changed our view, we believe 17 that consolidating those efforts at two other very good labs, 18 at Hanscom and Monmouth, will achieve simultaneously a 19 reduction in costs, an encouraging of interservicing and a 20 maintaining of quality. 21 And that is precisely the kind of activity that the 22 Joint Cross Service Group, which Joint Cross Service Group we</p>
<p style="text-align: right;">Page 266</p> <p>1 hope you would give appropriate deference. 2 My last general point before I get down to 3 individual cases and open up to questions is very simple. 4 Regardless of what we do here, regardless of what you do 5 here, we are going to need future base closure authority. 6 If you take all the BRACs that have gone thus far 7 and you take the most robust estimate of the most aggressive 8 closure scenario that you are doing, I suspect that you will 9 not get an infrastructure reduction that comes close to our 10 force structure reduction or our budget reduction. 11 One of the things that this Commission has done 12 that is enormously heartening is, in fact, raise the question 13 of future base closure authority. We hope you will consider 14 the matter carefully, and we hope you will consider the 15 matter strongly in the affirmative. 16 If I may now, I'd like to get to some specific 17 cases, and I'm not going to spend a lot of time on each of 18 them. There are many, as you know, and you've already heard 19 from the service Secretaries and Chief, but I'd like to 20 discuss a couple of them and then just open it up for 21 questions. 22 In most cases, because they make a broader point,</p>	<p style="text-align: right;">Page 269</p> <p>1 set up at the urging of the Commission suggested. We're 2 doing it. We think it will save costs. We think it will 3 save money, et cetera. 4 Not that Rome isn't a good facility. It's a 5 terrific facility, but unfortunately, we have more excellent 6 facilities than we can handle. Brooks is -- and I know that 7 the Commission has been concerned with Brooks as well -- is a 8 similar story. 9 We are proposing to close it and consolidate those 10 activities at Wright-Patt not because Brooks isn't a good 11 facility -- it is a very good facility -- but because we have 12 more capacity than we need, and leaving that capacity open 13 means that we're not reducing lab capacity. 14 I want to talk about a couple of other issues 15 because they're general, and they come on my plate at OSD. 16 One is housing. This Commission has made the point in 17 several of its hearing, in my view entirely appropriately, 18 that the Department of Defense should not shut a base down 19 and then waste perfectly good housing. 20 And you have asked us whether or not we need 21 authority or direction or whatever to use housing on closing 22 bases, and I want to be very clear this is an issue that we</p>
<p style="text-align: right;">Page 267</p> <p>1 let me start, if I may, with the proposal made by the folks 2 in Utah to close all of Letterkenny and move that work to 3 Hill. 4 Let's be clear what we're not saying. Hill has 5 excess capacity. That's undeniable, but we don't think the 6 way to fill that excess capacity is to tear down a joint 7 operation just when the investments have been made and it has 8 begun to work. 9 We have, as a result of a recommendation of the 10 Commission in '93, consolidated on an interservice basis 11 missile maintenance at Letterkenny. We have proposed, after 12 considering the matter, to resize and restructure and 13 downsize a lot of Letterkenny but to keep most of that effort 14 and to ally it with the electronics capability that is 15 already available at Tobyhanna. 16 We've already spent a lot of money, over \$20 17 million, to develop that capability. We've moved people 18 there. We've moved workload there. In fact, we've moved 19 about 70 percent of that workload there already. 20 Is it theoretically possible to do that work at 21 Hill? Yes, it is. It would clearly require some MILCON or 22 recognizing that you'd need to store things in multiple</p>	<p style="text-align: right;">Page 270</p> <p>1 send a lot of time and a great deal thinking about and 2 worrying about, but the truth is we already have that 3 authority. 4 We already have the ability at closing bases to 5 transfer housing to another service or for another use, and 6 we use it. As it happens, I'm the person in DOD that signs 7 off on this, so I can tell you personally that the Air Force 8 took over Navy housing at Moffett. 9 The Navy took over Army housing at Fort Sheridan, 10 and in each case at a closing base we review it. We see 11 whether it makes sense because some of the housing at closing 12 bases, like our housing at the bases we retain, is not up to 13 snuff and see whether it makes sense to keep it and use it. 14 So we think we've got the authority. What we ask 15 the Commission not to do is to require us to keep housing in 16 cases where it won't make sense. 17 This gets me to a similar case, which is 18 privatization. We have the authority right now to contract 19 for work with the Department of Defense. We are encouraging 20 efforts at Louisville and at Indianapolis to develop private 21 alternatives to the facilities that are being -- that we have 22 recommended to be closed there.</p>

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I personally have spoken to the mayor of Indianapolis a lot of times. We think we have the authority to do that right now. What we ask from the Commission is that you not force us to do something that doesn't make sense, because it's one thing to permit privatization. It's one thing to permit a facility to be used to bid on the Department's business.

It's quite another thing to say to the Department of Defense you must keep working this place, and you've got to keep excess capacity open, because that, then, keeps us from doing the mission which is, in fact, to reduce capacity.

Those are the sorts of issues that we thought we ought to raise specifically. I guess before opening up to questions I would like to remake the point that I made the first time I came here.

This is a miserable process. We don't like it. It is an absolutely necessary process. We are enormously grateful and we appreciate the Commission's role because you are the court of review. You are the assurance to the Congress and to the public that what we do, in fact, is consistent with the force structure and, in fact, is consistent with the criteria.

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So we appreciate that. We appreciate all the work you've done. We look forward to keep on answering the two or three questions that might be left outstanding, and we look forward with only a modest amount of nervousness to your conclusions.

COMMISSIONER CORNELLA: Thank you, Secretary Gotbaum. General Babbitt, do you have an opening statement, sir?

GENERAL BABBITT: Very briefly, I just wanted to point out that the original testimony given to the Commission on behalf of DLA was given by General Larry Farrell. He has since departed DLA and moved to a job in the Air Force.

Upon his departure, I took over his duties with regard to BRAC. I have really nothing to add to his original testimony, but you have added some things as potential closures in the interim period, and I'm here to answer any questions that you may have.

COMMISSIONER CORNELLA: Ms. McManamay, do you have --

COMMISSIONER KLING: Just one question about General Farrell. I just have to advise you that I think we named him the shadow because I think General Farrell was at

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every location we have been to. He probably knows everything as well as we know.

GENERAL BABBITT: If he was only here.

COMMISSIONER STEELE: He probably is.

COMMISSIONER CORNELLA: Mr. Bayer.

SECRETARY BAYER: I have nothing to add, sir.

COMMISSIONER CORNELLA: What I'd ask is that the timekeeper extend each Commissioner seven minutes, and we'll open the questioning with Chairman Dixon.

CHAIRMAN DIXON: Thank you very much, Mr. Chairman.

First of all, Mr. Secretary, to you and your colleagues at that table I thank you for your full and complete

cooperation. You've been very helpful to us. We are indebted to you, sir, and my questions will be very brief.

First of all, I appreciate your remarks concerning the need of a future BRAC, and we've talked to the various services about that today. Now, candidly, my recollection of the earlier remarks by both you and your distinguished colleague, our new head of the CIA, John Deutsche, the two of you I believe suggested about three years or so from now having another BRAC.

I'm candid in saying to you that the sense I get in

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1 talking to people here in the Commission, around the country
2 and in the Congress and other places is that we'd better
3 leave it alone a little while.

I think that everybody is kind of full of BRAC right now, and our thought is in view of the Presidential elections and other things that do have a way of impacting these things to some extent that we might think about 2001.

I know that's a ways off, but 2001 is at the end of the BRAC process. It permits two Presidentials to intervene, and it gives us some time to catch our breath and gives everybody a time to review everything.

That may not be as much as you would have wanted, but I ask you whether you think that it's a solution we could live with in view of the fact we have to report to the Armed Services Committee in a couple of weeks.

SECRETARY GOTBAUM: Mr. Chairman, let me be very direct on this point because I think it's important. My view is real simple. We have found and we have proved that without a BRAC process we can't close our infrastructure.

And notwithstanding that we hope you will endorse our recommendations and help us a lot in this thing, there is clearly a lot left over. My suspicion is that in the

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1 fullness of time we will discover sometime before 2001 that
2 this problem is a real problem.

But this is the world of the possible, and any BRAC is better than no BRAC authority at all, and therefore we think it is most important that the Commission be strong that there be some.

As to when that would be, I'll tell you, sir, the Secretary of Defense's view was three to four years. There were others even within the building who said five, six years. I don't think we should be dogmatic about time as much as about the importance that there be a process.

CHAIRMAN DIXON: Well, I appreciate the answer. The numbers are really compelling, I will say, but I just sense that, you know, there is some -- I even find in the public sector less of an enchantment with this idea than there was in the beginning.

And it's like any unsavory thing that you encounter after a while. You aren't so interested in continuing the process, and I think we'll just take a look at it. We'll be talking to you, and we'd appreciate you talking to staff. We're going to try to work out what's best.

The other part of that that's awfully important is

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1 that you see and we see this fact that there are changes in
2 what is done in the BRAC process over the years. We see
3 places that were losers becoming winners and vice-versa.

So it's all part of the evolutionary process, and we are very interested in hearing from you and particularly Mr. Bayer, who has had a lot of experience in this field about your suggestions how best we can do that without setting up some big bureaucracy, which we do not want to do, to permit the BRAC accommodations that need to be made between now and 2001.

SECRETARY GOTBAUM: Very important point. Actually, may I make one further point?

CHAIRMAN DIXON: Yes. Please do, Josh.

SECRETARY GOTBAUM: I promise you that even though it is absolutely the case that you and your staff and the communities are tired and would like a breather there is a small office within the Office of the Secretary of Defense that would like a breather just as much.

CHAIRMAN DIXON: I believe it.

SECRETARY GOTBAUM: Let me, if I may, defer directly to Bob Bayer on the question of what interim authorities we need.

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1 SECRETARY BAYER: I think there are two or three
2 points, Mr. Chairman. One of them is, obviously, the longer
3 the interval is between this BRAC round and the next one the
4 more compelling is the reason to have some sort of a
5 practical interim authority either to make changes that we
6 see from the recommendations that you and the President and
7 the Congress ultimately agree to in this round and also
8 closure or realignment actions that become compelling, time
9 compelling, during that interim period of time.
10 So the authority that we would have to fall back on
11 right now would be 10 USC 2687, which has clearly been
12 impractical and in fact as been made moot by this process.
13 The only other two points I'd like to make on this
14 issue are one of the key factors that made this whole process
15 work was the waiving of the National Environmental Policy Act
16 with regards to the specific closure and realignment
17 decisions, not the decisions to reuse the property. I think
18 that clearly has to be in any interim authority.
19 And the other point I would make with regards to
20 any interim authority that it be done in such a way that it
21 be expedited enough that communities won't be hung out
22 inordinately.

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1 CHAIRMAN DIXON: Yeah. I think that's all very
2 good.
3 SECRETARY GOTBAUM: Mr. Chairman, may I add one
4 further one? Part of my job which I don't discuss very
5 often, although this Commission was nice enough to ask about
6 it at one point, is the reuse area.
7 The Congress has been enormously gracious in
8 providing legislative authority that permits much speedier
9 property disposal at closing bases, and I would say it's
10 equally important that we find a way to maintain those
11 streamlined procedures for property disposal on a going-
12 forward basis even in the interim.
13 CHAIRMAN DIXON: Thank you very much.
14 Incidentally, I misspoke before. I didn't mean to say
15 unsavory. I think unpleasant would do it.
16 I wonder if I could bother General Klugh for just a
17 minute. Was he sworn?
18 GENERAL KLUGH: Yes, sir.
19 CHAIRMAN DIXON: General, would you come up next to
20 my friend Bob Bayer by the mike so we get it in the record?
21 I just want to ask you a question. I hope I'm not putting
22 you on the spot, but you chaired the Cross Service Working

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1 Group so I guess you are on the spot.
2 Now, your alternatives offered closures when you
3 chaired the Cross Service Working Group, but in no instances
4 did you recommend downsizing. We also take note that in the
5 past certain services that now recommend only downsizing were
6 intrigued before with closures.
7 Now, all of this is very interesting, I guess I
8 ask will you please tell this Commission why you recommended
9 closures but did not recommend any downsizing?
10 GENERAL KLUGH: Well, Chairman Dixon, I would tell
11 you that we were focused in the Joint Cross Service Group on
12 the amount of excess capacity that we had with an objective
13 of downsizing the depots to meet core logistics requirements.
14 And we did not have any way of managing or determining
15 downsizing of multiple locations to get to that excess
16 capacity.
17 There are two ways of getting at the excess
18 capacity, particularly in the Air Force, and that is
19 downsizing or closure of a depot, closure of two depots,
20 closure of one depot and shrinking the rest of them to get to
21 the excess capacity and shrinking all depots in place to get
22 to the excess -- get down the excess capacity.

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1 We chose in the Joint Cross Service Group two
2 alternatives. We offered the Air Force two alternatives.
3 One is close one and shrink in place to get rid of the excess
4 capacity; that is, through interservicing send work out to
5 the private sector.
6 Second, to close two depots. The Air Force chose
7 the third alternative of shrinking or downsizing five depots
8 in place. I would say to the extent that the Air Force could
9 rid itself of the excess capacity, that is a good
10 alternative.
11 The objective we had in the Joint Cross Service
12 Group was and still is to rid ourselves with the excess
13 capacity.
14 SECRETARY GOTBAUM: Mr. Chairman, can I make one
15 additional point to my colleague?
16 COMMISSIONER CORNELLA: That's quite all right.
17 SECRETARY GOTBAUM: The Joint Cross Service Group
18 process, as you know, was rough. What was done in the depot
19 Joint Cross Service Group is we developed a linear
20 programming model and said to it, in effect, go out in a
21 relatively mechanistic way, close things until you got down
22 to a particular capacity.

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1 Now, we know that there's a considerable amount of
2 controversy and question and examination which you're going
3 to undertake on the question of downsizing versus whole
4 closures.
5 But the fact that we didn't have a computer model
6 that was sophisticated enough to close 20 percent at 5
7 places, versus making a 0/1, close-it/don't-close-it decision
8 at depots, I don't think should be -- should be the basis on
9 which you make the judgment. We really were trying to get
10 some rough measure of capacity reduction, using a, frankly,
11 rough computer model.
12 CHAIRMAN DIXON: Well, I respect that, and I don't
13 need a computer model if I got eyeballs, though, Mr.
14 Secretary. There's an awful lot of excess capacity out there
15 that I saw with my eyeballs. General Klugh, you had the Navy
16 on your staff when you did the cross servicing of the depots?
17 The working group?
18 GENERAL KLUGH: Yes, I did. Yes, sir.
19 CHAIRMAN DIXON: I'll ask you, sir, whether it was
20 your opinion that there was substantial excess capacity, even
21 in excess of two of the five depots on the basis of what you
22 and your group saw, that led you to believe that you could

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1 recommend closing one, and downsizing in place for the
2 balance, or closing two.
3 GENERAL KLUGH: If I understand your question,
4 would that be excess capacity, the remaining after?
5 CHAIRMAN DIXON: Was there adequate capacity
6 remaining if you -- in the judgment of you and your cross
7 service group, you close two?
8 GENERAL KLUGH: Yes. If we close two -- the FO's
9 depot, as I remember specifically, appeared to be about a
10 depot and three quarters, in terms of depot equivalence
11 excess. And, therefore, by closing two depots and shifting
12 workload to other existing bases that must remain open for
13 various reasons using that capacity better, then that
14 certainly could take place.
15 Getting into privatization, as a matter of fact,
16 some of that work load -- in other words, having one and
17 three quarters depot excess, certainly privatization of some
18 of that remaining workload could, in fact, give us room for
19 closing two depots. We felt that it was certainly,
20 economically, driven to get that excess capacity to the best
21 utilization that we possibly could.
22 So I guess in some I would say that -- three ways

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1 of getting to that excess capacity. One was to close one
2 depot, and downsize everything else, but still taking the
3 excess capacity out. And second was to close two depots and
4 sending whatever little workload left that was excess to
5 capacity to other services in an interservice matter or
6 privatization. And then third, shrink all the depots in
7 place, which is a challenge.

8 But then, what do you do with that excess capacity
9 of those facilities that you declare excess? So, the answer
10 is -- I guess, the best I could.

11 CHAIRMAN DIXON: I thank you, General Klugh, for
12 that response, which is helpful for the record.

13 COMMISSIONER CORNELLA: Thank you, Chairman Dixon.
14 Commissioner Cox.

15 COMMISSIONER COX: Well, I'm honored to be right
16 after the Chairman. Secretary Gotbaum, in previous testimony
17 to the Commission, you had stated that the COBRA analysis
18 provides an estimate of closure costs, as we all know.
19 However, the Navy has excluded certain base closure costs
20 related from its COBRA analysis, where those costs are DOD --
21 apparently, civilian labor costs.

22 And it says the effect of making one time costs

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1 shown on the COBRA for at least the Navy analysis understate
2 the true costs of implementing the recommendations. In some
3 cases, this is somewhat significant. For example, including
4 the cost for disassembly, reassembly, and calibration of lab
5 equipment for the Naval Surface Warfare Center in Annapolis,
6 would raise the one-time cost for this recommendation from
7 about \$25 million to \$50 million.

8 Has somehow the DOD taken to this -- into account
9 in your evaluation of the DOD numbers?

10 MR. GOTBAUM: No.

11 COMMISSIONER COX: No.

12 MR. GOTBAUM: I guess, if I may --

13 COMMISSIONER COX: Of course.

14 MR. GOTBAUM: The direct answer to your question is
15 no, pending contradictions by my colleague.

16 COMMISSIONER COX: Okay. But?

17 MR. GOTBAUM: But -- and this is a very but -- as
18 you know, this is a process in which we try -- we are
19 required by law, and we try to be as objective, as
20 comprehensive, as auditable, etcetera, etcetera, etcetera, as
21 possible. And, we have in a couple of instances, been faced
22 with the question: Why don't you add more costs to the mix?

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1 And, in most cases, it turns out that, either
2 because we couldn't get those costs in a bases that was
3 sufficiently secret that wouldn't raise Cain, just to -- you
4 to you asked the question -- or, because they turned out to
5 be relatively small, and we've declined to do so. Now there
6 are some exceptions to that, okay? One of them is Kirkland.
7 Okay? That was --

8 COMMISSIONER COX: And we, I might say I thought it
9 was a very gracious letter on Kirkland, and we very much
10 appreciated everything you all did to get to the bottom of
11 those costs, and, you know, it was well done.

12 MR. GOTBAUM: I'm not sure if -- I'm lousy at
13 quoting people verbatim, but I will tell you what the
14 Secretary of Defense said is something almost as direct as,
15 if we made a mistake, let's say so. Period. Okay. What I
16 found, however, is that most of the time, when we incorporate
17 unincorporated costs, or when we refine analysis in an
18 objective fashion, it still turns out we've got a lot of
19 excess capacity, and the rank ordering still looks an awful
20 lot alike.

21 And so, my caveat earlier on in my opening
22 ment about -- where -- we are required to be -- we are

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1 required to be objective. The folks who are basically trying
2 to ding the recommendations are not -- is the only addition I
3 would make. What I will do, if I could, is go back, and with
4 your permission, come back for the record with a guesstimate
5 of what are the implications of this failure to include DOD
6 civilian -- would that be all right?

7 COMMISSIONER COX: Okay. That would be helpful,
8 and you're right. In some cases, it may not make a big
9 difference, and at least the numbers we have on that one --
10 it's twice the one time costs. It still may not make a
11 difference.

12 MR. GOTBAUM: Well, let's be clear what the process
13 is, okay? Because I've been -- I've been a neutral analyst,
14 and I have been an advocate, okay? It's what -- one of the
15 side effects of being an investment banker. When I am a
16 neutral analyst, it's my job to say this is our guess. The
17 odds of being wrong up need to be about the same as the odds
18 down. When I am an advocate, I can get enormously creative
19 at adding costs that these obviously competent people at DOD
20 fail to include.

21 And, I can be also enormously creative at
22 forgetting to include costs, as well.

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1 COMMISSIONER COX: Right. And I understand that,
2 and I understand that this is not a science, and we are not
3 going to get every dollar right. There is not question about
4 that. However, we would like to save money for the Defense
5 Department.

6 MR. GOTBAUM: Yes, ma'am.

7 COMMISSIONER COX: If we know, for a fact, that
8 there are additional costs, I don't think we should stick our
9 head in the sand, and pretend like we're saving a whole lot
10 more money than we are. And so, you know -- once we get past
11 the sort of generalities, where there are specifics and we do
12 know them, I would like to consider them, even though the
13 COBRA model itself may not be capable of doing that.

14 MR. GOTBAUM: Can I give you the counter argument,
15 just to give you a for instance?

16 COMMISSIONER COX: Sure.

17 MR. GOTBAUM: One of the things I have observed as
18 I look at the BRAC process is that, of course, none of us
19 knows exactly what a closure cost is, right? But, it turns
20 out there are three stages in the life of a cost estimate.
21 Estimate number one is when the recommendation has made the
22 initial COBRA cost, and that closure cost is \$10.

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1 Estimate number two is when the base commander at
2 the closing base realizes that his base is on the list, and
3 the base commander at the receiving base realizes that he's
4 about to get an opportunity for initial MILCON, and that cost
5 goes to \$12, or \$20. Okay? Estimate number three is when
6 the controller's office in the relevant service, the
7 controller's office in the -- we're talking about the
8 Secretary of Defense -- and the budgeteers get at it.

9 And generally, what we find is, when we actually go
10 and spend the money, it ends up being a little less than the
11 \$10 we started out with. So --

12 COMMISSIONER COX: No, I understand that -- anyway.
13 Let me go on. We, as you all can probably tell from my
14 fellow commissioners today, in the Air Force, there is at
15 least some concern about the Air Force downsizing. And I
16 don't know where that time -- where that's going to go. But,
17 assuming, for a moment that it is the decision to close one
18 or more Air Force depots, would it be your view that we
19 should encourage interservicing, by making that part of the
20 recommendation?

21 Or do you see that as your job, and we should
22 simply say send it where you may?

<p style="text-align: right;">Page 289</p> <p>1 MR. GOTBAUM: Let me start with what's desirable, 2 and what's possible. We're in favor of interservicing, and 3 we are doing it, and we are -- and any place where it is 4 encouraged, should be encouraged. What we have found though, 5 is that the BRAC process by itself happens not to be a very 6 good way to encourage interservicing, because the BRAC 7 process is precisely the time at which every single commander 8 knows that his or her capacity is on the line. 9 And so, what we discovered in our joint cross 10 service groups is that we are most effective at getting 11 interservicing before or after the decision, rather than 12 during the decision. Now, that doesn't mean that the 13 commission could not, and should not in its recommendation, 14 whatever it decides, say DOD interservicing makes sense, 15 would save money, and you ought to do more of it. 16 But, I guess what we would hope is that you would 17 recognize that the actual process for deciding where workload 18 ought to go is sufficiently complicated, sufficiently subtle, 19 that I think it really ought to be a management judgment. 20 Maybe one done on an interservice basis by, for example, the 21 Depot Maintenance Council, that General Klugh runs. But 22 that, essentially, it ought to be a judgment made after, not</p>	<p style="text-align: right;">Page 292</p> <p>1 MR. GOTBAUM: I have learned, sir, in my one year 2 at the Department of Defense, never to make promises about 3 what OSD can pay for, especially in the current environment. 4 5 COMMISSIONER DAVIS: Given that's a maybe answer -- 6 what about two? 7 MR. GOTBAUM: Let me say this. We have not, at 8 least, not recently, looked at what the up front closure 9 costs are, or would be, for closing a whole depot. The -- we 10 did look when the Air Force came forward and said our 11 estimate of closure costs is -X-, and they did, in fact, seem 12 to us to be plausible at the time. And that was, as I 13 recall, a very substantial sum approaching a billion dollars. 14 COMMISSIONER DAVIS: It's a little more than that 15 now, isn't it? 16 MR. GOTBAUM: And, there is no denying that up 17 front costs do matter, and up front costs do constrain us. 18 And, there is no denying that even something as important as 19 base closure has to be measured against modernization, and so 20 I don't want to leave you with the impression that we are 21 confident or comfortable that we could take a depot closing, 22 and pay for it with the budgets that we have allocated for</p>
<p style="text-align: right;">Page 290</p> <p>1 as part of the closure decision. 2 COMMISSIONER COX: Thank you. 3 COMMISSIONER CORNELLA: Commissioner J.B. Davis. 4 COMMISSIONER DAVIS: Mr. Secretary, as you noted, 5 we've been getting a lot of help on some of this stuff, and -- 6 -- from various sides. But in each case, there are some that 7 ring a truth in the process. And I'd like to go back to 8 General Klugh's discussion -- you know, it's still the DS -- 9 OSD position that -- the Air Force position, i.e., downsizing 10 the depots, is the preferred option. 11 MR. GOTBAUM: Yes, sir. And let's be clear why. 12 COMMISSIONER DAVIS: As General Klugh said, we're 13 looking for reductions of capacity on a cost effective basis. 14 That's what the name of the game is. And we had a computer 15 model, which helped us guess what you ought to do, but that's 16 what it was. It was a computer model to help us guess what 17 you ought to do. The first mission is to reduce capacity. 18 The Air Force made the case, and backed it up with 19 some analysis that they could reduce a lot of the capacity at 20 lower cost, by chomping pieces out of five air logistic 21 centers, and by closing a whole air logistic center, large -- 22 because depots turn out to be only parts of the ALC, in the</p>	<p style="text-align: right;">Page 293</p> <p>1 BRAC. I can't give you that assurance, sir. 2 COMMISSIONER DAVIS: That's two maybe's, sir, we'll 3 accredit you for. I'd like to follow up on something 4 Commissioner Cox said. You know, we're always looking for 5 interservicing. And one of the things the community came 6 forward on was moving the Marines, because the congestion of 7 the area down in San Diego at Miramar -- moving the Marines 8 to March Air Field -- or March Air Force Base, depending on 9 how old you are -- and, the answer we basically got from the 10 Commandant today was, yes, he'd like to do that. 11 But, he'd like somebody else to pay the bill. We 12 asked each one of the services -- would they step up to that 13 process, and each one of them respectfully declined. Now I -- 14 -- would OSD be willing to step up to that process? I mean, 15 what is the OSD position on it? 16 MR. GOTBAUM: I'll tell you, sir. This is easy. 17 We -- if we had our druthers, we wouldn't do any of this. It 18 is because we have to pay the bill that we're doing this. I 19 am very well -- very familiar with the proposal that we put 20 this capacity in March, rather than where we have slotted it 21 in the various places we've slotted it. The issue is that it 22 would cost money. It would cost money, you should pardon the</p>
<p style="text-align: right;">Page 291</p> <p>1 case of, for example, Kelly. 2 The depot is half of the ALC, and the ALC is about 3 two thirds of the total base. So that -- they made their 4 case. They backed it up with numbers that, in effect, they 5 could reduce capacity, and they could do so on a cost 6 effective basis by downsizing. To us, we looked at it. I'll 7 tell you Bob and his staff looked at it, and it seemed to us 8 that was fulfilling the requirement on a cost effective 9 basis. 10 We are very well aware and we are perfectly happy 11 that the Commission is looking at this issue, because we know 12 that it is controversial, and we know that you will be 13 objective about it. But the reason we support, and supported 14 was because we are trying to do just that -- reduce capacity 15 on a cost effective basis. 16 COMMISSIONER DAVIS: I hate to beat a dead horse, 17 but I asked the Secretary of the Air Force that if we closed 18 one, would the Air Force be able to sustain its readiness and 19 modernization accounts, and the out years with the costs 20 involved with closing the cheapest one, whatever that one 21 was. Whether OSD will be able to handle that, from a -- from 22 the budgeting process --</p>	<p style="text-align: right;">Page 294</p> <p>1 expression, up front. 2 And we are clearly budgeted concerning that in the 3 interim. And it would -- furthermore, it would, in effect, 4 add an active duty component, and add the infrastructure for 5 an active duty component at a base which is now strictly a 6 reserve base. So, it would cost a fair amount of money. So 7 I'm not surprised that the Commandant said sure, as long as 8 you'd pay for it, I'd take it. 9 Okay. But, the issue is, from the perspective of 10 the taxpayers and the Department of Defense as a whole, 11 because we do have to pay for it, we think there are better 12 ways to do it. 13 COMMISSIONER DAVIS: Mr. Chairman, could I have one 14 more short question? 15 CHAIRMAN DIXON: You certainly may. 16 COMMISSIONER DAVIS: Being an aviator, I am very 17 concerned about wind tunnels, and things like that. And, and 18 then NSWC at White Oak -- that Hypersonic Wind Tunnel? And 19 the Chairman of the Joint Chiefs of Staff referred to this 20 facility as a national treasure -- unique national 21 capability. National treasure is my word. Have you looked 22 at your requirements from an OSD perspective of wind tunnels?</p>

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I mean, you've got one in Tennessee, you have one in White Oak. Is that excess to your requirements, even though it has a unique capability?

MR. GOTBAUM: Unfortunately, sir, the answer to that, unfortunately, for those who would like for us to keep that facility is open, the answer is yes. It is excess to our requirements. Let me give you -- this is a case in which -- to go back to the Commandant's example about, if I don't have to pay for it, I'd like to use it? Okay.

The folks who operate that wind tunnel at White Oak, with whom I have personally spoken, I'll tell you, tell me that they have for a number of years been trying to get other components of DOD to pay the operating costs. It costs, if I recall correctly -- and if I'm off by half a million dollars, I apologize -- about \$3.5 million a year to operate that facility.

And they are having trouble getting a half a million dollars of other support from other DOD components. What that says to me is that, yes, if it's free, this is something we like. But right now, it's not free. And therefore, with respect, we think it's better that in fact, we concentrate our capacity elsewhere.

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COMMISSIONER DAVIS: Well, thank you Mr. Secretary, and Mr. Chairman, if I had another time, I'd ask what about private industry, but I think I'll pass on the wind tunnel. Thank you.

A PARTICIPANT: Oh. It's one of my other questions.

COMMISSIONER CORNELLA: Commissioner Lee Kling.

COMMISSIONER KLING: Thank you. I noticed that you made some statements about the labs, and wanting to do that. And I don't want to get into that, but I would just like to make a comment that leads me almost to my next one, is that -- I think we ought to be careful when we tear apart the labs in our high tech areas, and so forth, and split them up and send them to the winds.

And I recognize that you think that, but I happen to think that our future is the high tech, and is the labs, and is those things, as opposed to storage. So -- which makes me then ask the question of you that, on March -- and I want to read you a little bit -- on March 1st, the DOD submitted 146 realignment or closure actions to the Commission.

And to date, the services have revised 63 of these

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146 recommendations, resulting in an increase in the one-time cost of \$170 million, and a decrease in the annual savings of \$130 million. And that's shown on the chart that we have, or hopefully -- I hope we're passing to you something you can see a little bit better than that, Mr. Secretary.

MR. GOTBAUM: I will admit to being blind, sir, but that one's tough.

COMMISSIONER KLING: You have one. I guess -- this is what you originally showed us, in essence. This is where we are today. And my first question is, do you agree -- I'll wait for a minute -- the question is, do you agree with these revised estimates of the cost and savings that we now have in front of us, in essence.

MR. GOTBAUM: Commissioner, I would -- having spent most of my life working with numbers and estimates, and especially when I'm under oath, I am not going to be so naive or so cavalier as to tell you that yes, I subscribe to these numbers exactly. I think what we can say on this, just having seen this piece of paper, is that the following things are true.

One is, we are re-estimating, partly as the result of our request, partly as the result of suggestions on the

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part of community, and partly because we want to make sure that we're doing this right. We are re-estimating from the moment we make a recommendation.

COMMISSIONER KLING: Again, I -- excuse me.

MR. GOTBAUM: That, always in the first round, raises the costs. Lowers the savings. I personally take some comfort in the fact that what you're telling me is that after that process has gone through, we're still talking about something which would save the taxpayers -- I said eighteen, you're saying nineteen billion dollars -- so that overall, in fact, the savings are substantially on the same order of magnitude as they are.

Does that mean there aren't changes? Yes, sir, there are -- I would characterize them, though, as -- in percentage terms -- relatively small. And I would also want to point out and make a very important part of the record, is that I am absolutely confident -- as confident as I was that the numbers would change between March 1 and today, I am equally confident they will change again once you make your decision.

COMMISSIONER KLING: And I agree and we all know that that is what happens to these numbers but when you look

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1 and say from where we started that we're now down \$130 million on an annual in saving and we have to add to that now -- in the cost of -- we have to add to that Kirkland now because Kirkland is not going to provide the savings that was originally provided into these number.

And I guess really the question I'm trying to ask you is that you have certain items budgeted going forward in the process and you counted on certain of these savings and these costs there and my only simple question is if we're falling off of these savings that we encounter, wouldn't you encourage us to look for alternate ways to beef these back up to find things such as -- such as -- and I'm back because all of us are on the depot business but such as looking at something like that that maybe could take us back up into the savings level if it was sound.

I'm not trying to get to a specific dollar number.

MR. GOTBAUM: No, no, you raise a serious point and I think it deserves a serious answer. The answer is it is clearly the case that we're looking for the Commission to help us lower infrastructure costs and as we said when we first testified, we would hope that in any case you decide that we have made a mistake, if you can, that you find a

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substitute that you discuss it with us because there are always military and operational implications for all these changes.

Having said that, one of the things that I hope the Commission is cognizant of is this issue of up-front costs is a real issue and it is helpful long term but maybe not feasible short term to help us by adding hundreds of millions of dollars to the BRAC budget in '97 if that's the way we achieve the 2001 savings.

COMMISSIONER KLING: But if we found that the cost of closing was that we could get a payback in three to four years, then you would support that?

MR. GOTBAUM: Let me be clear. There are lots of issues that are not on this table that have paybacks in three, four, five, six years, okay, and they are not there because they would require substantial chunks of money up front. It is partly for that reason, frankly, that most of the flag officers with whom I'm spoken -- and I can't say everyone but a lot have said I do want another round of BRAC and usually the answer is longer than three or four years but that period of time but remember that three or four year payback ignores the question of how much you pay up front and

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1 how much you pay up front is really what we are budgeting to.
 2 COMMISSIONER KLING: My time is up but just
 3 specifically, if we found -- and I don't have this as a
 4 fact -- if we found at a depot the cost to close was \$450
 5 million and the annual savings was \$150 million, how would
 6 you feel about that?
 7 MR. GOTBAUM: And that this was -- and the
 8 Department had made a recommendation which would have saved
 9 less money in a way that was less military --
 10 COMMISSIONER KLING: I'm just saying in theory, if
 11 a cost to close of a depot was at \$450-500 million 400 and we
 12 could save and that the savings figure would end up to be
 13 \$150 million a year, how would you just feel about that?
 14 MR. GOTBAUM: I would think it would be something
 15 which when we can afford it, we would like to do and the
 16 issue is can we afford it. I'm really not trying to dodge
 17 your point but I think it is genuinely important to
 18 understand that there is a budget constraint under which we
 19 operate.
 20 Now, I will tell you that I meant what I said about
 21 the rhetoric of more money for defense has colored people's
 22 views because a lot of folks within the building, even, have

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1 said "Whoa, well, now we're going to have more money and
 2 therefore, we don't need to close as much." But what they
 3 don't see and what the controller of the Department of
 4 Defense reminded me as recently as yesterday is for every
 5 additional dollar that the Congress is promising us, there
 6 are \$5 of claimants and so my suspicion is when we "get a
 7 little more money", we're not going to have a little more
 8 money; we're going to have a little less money and as you do
 9 your deliberations, we hope you will take quite seriously
 10 into account sir.
 11 COMMISSIONER KLING: Thank you.
 12 COMMISSIONER CORNELLA: Commissioner Montoya.
 13 MR. MONTOKA: I guess the day is approaching when
 14 our second guessing you all is going to end and it's going to
 15 turn the other way and I'm beginning to feel that heat and
 16 therefore, though I find your answers today, as last time,
 17 very interesting and you're a very interesting witness but at
 18 the same time, your glibness gives me some discomfort because
 19 I sense that we're all over the line on so many things and I
 20 sense it not so much from you, Mr. Gotbaum, but the result of
 21 SECDEF whatever guidance you gave or did not give the
 22 services because we've got a number of theories of how you

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1 deal with excess capacity and the Air Force has one, the Army
 2 has another and the Navy has something in between those two.
 3
 4 I'll give you an example of your own words. You
 5 talked about Brooks Air Force Base and closing the base down
 6 and moving things to another place and you're getting rid of
 7 lab capacity. I would argue that using the Air Force
 8 definition of ALCs, you aren't getting rid of any capacity
 9 because what you're doing is you're taking a right-side
 10 laboratory supposedly, fully worked and you're going to move
 11 it someplace else and what you're really doing is trying to
 12 reduce infrastructure support by closing the entire base.
 13 You're going to take advantage of another base's overhead by
 14 moving this lab capacity that you have to another location.
 15 The Air Force's argument with us is really saying,
 16 Commission, we have right-sized our capacity to meet our work
 17 load in a different way than closing things. You're going to
 18 cost us more money by forcing us to move our capacity around.
 19 Then we have that other stuff we've accounted for, the empty
 20 spaces and the idle machines, that's all been factored into
 21 our cost structure and so we don't have excess capacity. We
 22 have right-sized.

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1 As we look at things where the Navy closes a
 2 shipyard, now, that's closing excess capacity and that's
 3 getting rid of excess capacity because something has gone a
 4 way. Closing a wind tunnel, your other example, that's
 5 getting rid of excess capacity. It's gone.
 6 And so to the extent a service closes something, no
 7 longer needing it, I think you'd give them great deference to
 8 that decision but when they're not closing something like
 9 Kirkland, just moving it around, then it becomes a matter of
 10 cost. I think your hurdle is higher to overcome our
 11 questioning when you're closing nothing but you're merely
 12 moving things about and I think that's where Kirkland failed.
 13 So, let me try to pin you down on Long Beach,
 14 having used that as a backdrop. We really need to know
 15 specifically what it costs to close a shipyard because we're
 16 entering a very difficult decision phase and I have seen the
 17 official Navy numbers to close Long Beach is something on the
 18 order of -- I think it's less than \$100 million, the cost to
 19 do that.
 20 I'm also aware of an internal NAVSEA memorandum
 21 from the shipyard commander to his hierarchy that he's
 22 talking about closure costs in excess of \$400 million. Now,

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1 that is a huge variation and I would ask you to find out -- I
 2 didn't ask the Navy specifically because I wanted OSD to take
 3 a role in this. I'd like to know what are the facts of
 4 closing Long Beach Naval shipyard and secondly, I think in
 5 the case of shipyards, we have the further benefit of other
 6 closures. There seems to be some history that estimates for
 7 closing shipyards have been far lower than actual experience
 8 and so we have some empirical evidence to better calculate
 9 the closing of the Long Beach Naval shipyard.
 10 So, for the record and before the 22nd, I would
 11 really like to get from you what that answer is because it is
 12 so important and I think I understand Air Force's -- and one
 13 of your definitions of excess capacity. You might have two
 14 or three more but I think I understand one.
 15 MR. GOTBAUM: I will not be glib. I will give you
 16 a one-word answer; yes.
 17 MR. MONTOKA: Thank you.
 18 COMMISSIONER CORNELLA: Commissioner Robles.
 19 COMMISSIONER ROBLES: Just a couple of quick
 20 questions and you can well imagine the depo issue is going to
 21 hit you right between the eyes one more time with feeling and
 22 I just have the first question, kind of an interesting

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1 question and you understand this has been a very interesting
 2 day. We started off the day with one service telling us that
 3 they want to take all their capacity, wring it out, get down
 4 to the very most optimum, leanest structure they can, take
 5 risks, admitted risks because they think it's manageable risk
 6 because of -- there's actually other things.
 7 Then we're followed up by another service that says
 8 oh, by the way, we're very risk averse and so we're not going
 9 to close anything. We want to just downsize it, lay it away
 10 and get ready for the big one. And then right in the middle
 11 of it, the Navy says we're kind of halfway there. So we're
 12 trying to wrestle with this issue.
 13 And then I was also interested in hearing that the
 14 United State Air Force just told us that 71 percent of all
 15 DOD closure savings have been achieved by the Air Force.
 16 Now, Mr. Gotbaum, does it make sense that the United States
 17 Air Force has to date, achieved 71 percent of all BRAC
 18 savings? Is that a true number? A number you can certify
 19 to?
 20 MR. GOTBAUM: Can I deal with the easy ones first?
 21 COMMISSIONER ROBLES: I mean, this was in testimony
 22 today, we were told that they had been a leader in closures

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in the United States Air Force, that they, in fact, have saved some \$18 billion, that is 71 percent of all the savings achieved by the Department of Defense in this base closure process and I thought that was a very interesting number.

MR. GOTBAUM: And Commissioner, since I cannot, right now, from memory, let me absolutely circle back on that one.

COMMISSIONER ROBLES: Could you please get back to us on that and validate the voracity. There are some assumptions there we're not understanding and that didn't go along with that number.

MR. GOTBAUM: Right,, if I can deal with your first question, which is why is it that my father's house has many restructuring plans. That, I'll tell you sir, is not to me - and I spent a lot of time in the private sector doing restructuring -- that, by itself, is not a surprise.

Let's go back and take the previous commissioner's point about the wind tunnel, okay, in which we're "closing" one facility and actually shrinking our use of land but we're actually using the land next door. And this is genuinely a case in which there is no one-size-fits-all approach.

As you know, much better than I, the Department is

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big place, it has a range of activities. I'm trying to worry about -- and so frankly, I would not be surprised that there were circumstances in which we saved money by closing an installation entirely and also that there were times when we saved more money by cutting out pieces. That frankly does not surprise me at all. The issue for us and the issue for the Commission and I'm not going to be glib about it; I'm going to be blunt about it, is which is the one that saves money most cost effectively and maintains the military mission. That's the question and we know it's a question on the Commission's plate. We're glad that it's on your plate and we're going to deal with that.

My staff, proving that they are as competent as I like to claim in public, reminds me that it is probably true that the Air Force statement, as made, is true because in the early rounds -- the way you get savings in this business, as you know, is you spend a lot of money up front and then -- so the first three years, you don't save anything; you spend and then you start getting savings. And in the earliest rounds of BRAC, '88 and '91, the Air Force closed a lot of facilities, okay.

So, I suspect that it is true that if you looked as

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savings achieved to date, not of costs, that the Air Force is responsible for a lot of them. One thing I can tell you though, is that we, as part of our analysis, when the Secretary's recommendations came to the Department of Defense, Bob and I looked at all three services' estimated savings from the three rounds that we've had and the rounds that we're recommending and I will tell you, sir -- and frankly, I was surprised -- they were very close to the same for each service.

COMMISSIONER ROBLES: And that's what I thought. I'd just like for you to make that available to us.

MR. GOTBAUM: And we will send you those numbers. So, over the fullness of time, the three rounds plus the ones there, truth is they look like every service was making a very serious effort.

COMMISSIONER ROBLES: And I didn't want to add on about the numbers because your one-size-fits-all A to Z approach would be okay if the numbers were all consistent but when they're also major differences in assumptions about what gets saved, what doesn't get saved, what's a cost, what's a savings, it really causes us perplexing problems and this is what we're dealing with right now.

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The second question has to do with the depo joint cross service groups and I know they went through a lot of deliberation but we heard today for the first time -- at least I heard it for the first time, I won't speak for the other commissioners -- that readiness was an issue. Never before had I heard that when you all did the deliberations, there was a readiness impact but today, it was testified that now we're raising the readiness specter and saying oh, by the way, we can't close because if we do that, there will be a readiness impact and I just had never heard that and I wondered if you had heard that in the joint cross service groups or any other time?

MR. GOTBAUM: Not having the benefit of the testimony this morning, it is very clear and that part of the reason General Klugh -- and I should probably let him answer this -- we're in a process, not as difficult or as miserable as this process, but pretty difficult last year with the services trying to define core. Why were they trying to define core? Because they were trying to define that level of work load which, in order to maintain our ability to fight wars, which is how we define readiness, okay, ought to be in-house.

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So with respect I think that the job that General Klugh was trying to do was precisely one of saying how much capacity can I reduce before I threaten readiness. And although we do not run around very often in the Department of Defense saying tick, tick, tick, oh, killed readiness etc. We try to make judgments about what capacity we can afford and what level of risks and that's what the level of debate is.

But if nobody has said that if we eliminated all depo capacity, we would not be ready, then that's clearly true. The issue here is what levels do we need.

COMMISSIONER ROBLES: And that's a good clarification. I just wondered if any other service, the Army, the Air Force, the Navy brought up the readiness issue as saying if we got rid of the proposed over capacity, we would run into a readiness problem. What you're telling me is that would not -- your recommendations were consistent with maintaining readiness and yet, being able to downsize the infrastructure and getting rid of excess capacity.

MR. GOTBAUM: Keep in mind, sir, that what we, in effect, did is ask the service, both military and civilian what is your judgment, keeping military value first, as to

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the kinds of reductions you can recommend consistent with readiness. And so in every service there were depot facilities in which the service said I want this one, I need this one and therefore, we're not going to touch it, in every service.

With your permission, sir, I'd like to let General Klugh, who is responsible for this in the --

GENERAL KLUGH: Briefly, Commissioner Robles, I will just say that the readiness issue was addressed, as Josh was saying, through sizing the depots to core. And that we were protecting the capability to support all of the key weapons systems that might be involved in a JCS scenario.

None of the alternatives that we sent forward to the services violated that. All of those alternatives, both in DM1 and DM2, took the core under consideration and, therefore, readiness under consideration.

COMMISSIONER ROBLES: Thank you, sir. So what I'm hearing you say, then, is if you right-size the depots to be able to meet that core capacity that you identified in your group, you should not have a readiness problem.

GENERAL KLUGH: That is correct.

COMMISSIONER ROBLES: Thank you, sir.

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1 MR. BAYER: Commissioner Robles, I'd like to add
2 one further point, in terms of readiness. And that is that
3 the Joint Cross Service group was looking at readiness from
4 the logistics point of view, i.e., sizing to core. But when
5 the services then looked at their bases, particularly in the
6 Air Force where there were multi-service or multi-mission
7 bases, their readiness construct for that base was broader
8 than simply logistics. So that might be another reason why
9 you received that input.

10 COMMISSIONER ROBLES: Thank you. I understand.
11 Because they have air fields there and they do other
12 ancillary missions there that may have a readiness impact.
13 But again, we're not talking about reducing those.

14 The argument has always been about taking the depot
15 maintenance function within an air logistics center, for
16 example, and downsizing it to do core capacity work. And so
17 that ought not have a readiness impact unless you have to
18 degrade the base support structure sufficiently such that it
19 may affect other missions. I thought I understood the
20 equation. I was just making sure.

21 COMMISSIONER CORNELLA: Thank you, commissioner.
22 Commissioner Steele.

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1 COMMISSIONER STEELE: Good afternoon. Am I correct
2 in that the Secretary's guidelines for the Department for
3 BRAC '95 instructed the services not to include or consider
4 environmental cleanup costs in putting forth their
5 recommendations. Is my memory of that memo right?

6 MR. GOTBAUM: From day one -- and I mean day one
7 like 1988 or certainly the 1991 round -- it has been the
8 policy of the Department of Defense -- in other words, it is
9 not just this Secretary of Defense, but it's been all of
10 them -- essentially that environmental cleanup -- we know
11 that we have to clean up our land whether it is active or
12 not. And we therefore did not want to bias ourselves, in
13 effect, against doing cleanup where we ought, by putting that
14 on the table since we have to pay the freight whether it's
15 open or closed.

16 And so yes, it is true in this round, and it was
17 true in previous rounds, that they estimate operating costs,
18 they estimate compliance costs, but they don't estimate
19 cleanup costs, and they leave those off to the side. Now, it
20 is of course absolutely true that once we make a closure
21 decision we in fact -- if we want to do reuse, we have to do
22 that cleanup, and that's why that cost gets factored into our

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1 BRAC recommendations. Is that clear?

2 COMMISSIONER STEELE: Sure. My follow-up question
3 then would be, the Secretary of the Air Force this morning
4 specifically said that we should not consider an ALC due to
5 environmental costs. There were some other issues mentioned,
6 but that was mentioned specifically. Given the Secretary of
7 Defense's guidance to the Department and the testimony we
8 heard this morning, how would you counsel the Commission on
9 whether or not we consider environmental cleanup costs as we
10 proceed into this final week?

11 MR. GOTBAUM: Again, I don't have the benefit of
12 the Secretary of the Air Force's testimony but, having
13 discussed this issue with her in the past, I think the issue,
14 as I tried to say it before, which is we try to keep
15 environmental cleanup costs off the decision of which base
16 you close.

17 In other words, if we have two bases, one that has
18 a lot of environmental cleanup and another that doesn't,
19 okay, we don't think environmental cleanup ought to get into
20 that factor because if we did, every base commander in the
21 world would understand that what he ought to do is drop a lot
22 of oil drums in sensitive places. We don't want to do that,

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1 okay. That would be a mistake.

2 So we try to be try to be neutral in this and make
3 the decision. But we are under a budget constraint and, as a
4 result -- and it is true not just in the Air Force; the Army
5 and the Navy, too -- they keep a running tab of how much
6 money they think they have for base closure. And as a
7 result, in effect, what we do -- and this gets to a point
8 that the other commissioner made -- some things don't come on
9 this list because they simply add a lot of upfront cost, even
10 though they are nominally high payoff.

11 And that is, I believe, the context in which the
12 Air Force said, Is there a payoff for closing a depot?
13 Answer: Yes, there is. Is there an upfront cost? Answer:
14 Yes, there is. Is it large? Yes, and therefore if we can do
15 it more cheaply we will.

16 COMMISSIONER STEELE: Okay. And to follow up
17 there, and this is sort of a continuation of a couple of my
18 colleagues' questions. If you could put on your investment
19 banker hat for me, please, for a moment, and you have a
20 choice here, looking at ALCs. We've got the \$276 million
21 that was budgeted for the closure of Kirtland.

22 MR. GOTBAUM: Seventy-eight.

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1 COMMISSIONER STEELE: I think I have that number
2 right, or close. If you look at Brooks Air Force Base and
3 the community's contonement plan, true, the steady-state
4 savings are half the department's recommendation, but we're
5 talking numbers of 17.6 versus 32.2. But the upfront cost
6 for Brooks, if we do the Department's recommendation, it's
7 211 million; the community's is only 32.

8 I can give you, Mr. Investment Banker, 200 million
9 upfront for Brooks, two hundred and whatever I said --
10 seventy-six million -- for Kirtland, and give you a steady-
11 state savings a heck of a lot bigger than the difference
12 between 11 and 17, is this a proposal you would interested
13 in?

14 MR. GOTBAUM: Having spent a lot of time on both
15 sides of the table, buying and selling, I think it's very
16 important to ask the question of, Am I buying or selling? If
17 I'm selling --

18 COMMISSIONER STEELE: Short answer, please.

19 MR. GOTBAUM: Okay. I think the issue is what the
20 numbers really are. We -- let's be very direct. Whenever a
21 community comes to us and says, "We can save you money as
22 long as you leave capacity lying around," I cover my wallet.

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1 And that is what in many, many, many cases communities have
2 done.

3 We don't like this process, okay. It is miserable.
4 But that is all too often exactly what people are saying.
5 That's what's going on at Brooks. It's what going on at
6 Rome. And as a result, can we "save" money? Sure, we can
7 save money by leaving excess capacity.

8 COMMISSIONER STEELE: I can save you a lot more
9 money in the long haul by providing to the Department the
10 upfront costs that were testified a couple months ago that
11 had they been there, the Air Force would have gone a
12 different course. So, all right, one more last question
13 here.

14 I really do commend all of you on the work of the
15 Joint Cross Service groups. I think they really did do a
16 good job. My frustration in this chair is they had the
17 responsibility, but they didn't have the authority to make it
18 happen. Getting back to Commissioner Davis' comment about
19 interservicing, I would like to provide the Department the
20 greatest flexibility with the recommendations -- they're not
21 recommendations -- with the report that we send forth.

22 However, given the track record on

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interservicing -- you mentioned depot maintenance council as a suggestion on should we close a depot or two, where that workload could be best directed. Does the depot maintenance council have the authority to make it happen?

MR. GOTBAUM: Yes.

COMMISSIONER STEELE: Interservice? Okay. I just want to be sure.

MR. GOTBAUM: Yes, it does.

COMMISSIONER STEELE: Okay. Lastly, General Babbitt, the Ogden community has forwarded a concept paper which basically allows DOD to divest ownership of the DDO property but allow DLA to lease it back to meet its short-term capacity needs for storage, which I guess are stated at 21 million if we accept the Department's recommendation. I guess that number has since maybe become a little bit iffy.

Given the shortfall in storage capacity and the potential additional shortfall should the Commission proceed to do a different approach to the ALC issue, have you had an opportunity to look at the Ogden community's proposal? And could you comment on that?

LIEUTENANT GENERAL BABBITT: Yes, we have. The risk of a shortfall -- the 21 that was originally stated,

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1 had said if you could find that kind of money to close a depot, you would do that. Is that correct? Did I hear your answer correctly?

MR. GOTBAUM: What I said is, we're looking for the payoffs that we can afford. And that is precisely what we are doing throughout this process.

COMMISSIONER CORNELLA: If I took the 278 million that would be saved now that we're not going to Kirtland, and I take the 127 million that would be saved on the down-sizing of a depot, that would give us 405 million. Wouldn't that go a long ways towards the closure of a depot, assuming it was in the 400 to 600 million dollar range.

MR. GOTBAUM: At the risk of being contentious, are we also including in the ledger the increase costs that we've discovered in all the other places that the Commission still agrees should be close.

COMMISSIONER CORNELLA: Well, if we want to do that, we can start including in a lot of other costs, too, and savings. Like if we have savings of \$50 million dollars a year by not upgrading equipment that is on that site -- you know, there has been a figure out that infrastructure costs and improvements over a 30-year period, I believe, but I'd

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1 what we now feel is closer to 10 million, if there are no other changes made -- is truly a risk. And we would there is some reasonable probability it would never be required. To now enter into an agreement with Ogden to lease space that we never need didn't seem prudent to us. And therefore we reject that offer now.

If in fact it should come to pass that some of that capacity is required, certainly it is available to us, that we would enter into agreement either Ogden or communities that have facilities -- other facilities that might be affected by closure to cover a short-term shortfall. And we would propose that was one of our risk management approaches.

COMMISSIONER STEELE: To my surprise, I haven't been handed a note that says my time is expired, so I'm going to follow up and ask you what happened to this 21 million shortage. I mean, back at the beginning, when we heard that was out there --

LIEUTENANT GENERAL BABBITT: Why did it go from 21 to --

COMMISSIONER STEELE: -- and that was one of the reasons where the ALCs said, "Oh, well, look, we'll have room, another good reason to downsize." Do you not need that

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1 have to go back and get those numbers. But anyway, it amounts to \$50 million a year to keep upgrading the equipment and repairing it and replacing it and the infrastructure and everything that exists in the depots.

So I mean, we can play a lot of numbers games here. But my question is, Couldn't that money be used for closure then?

MR. GOTBAUM: The answer is, yes, sir. And I don't want to play numbers games, but I want to be very direct. The congress does not give us infinite year money. The congress gives us money year by year. And therefore there are a lot of things, dozens of things, that this Department would love to do that would save billions of dollars that require upfront costs of only tens of millions or hundreds of millions, that we do not do.

And all I ask is, as you consider our recommendations, and as you form your own, keep in mind both parts of the equation. That's all.

COMMISSIONER CORNELLA: We will do that, sir. And I thank you. I have one last question for General Babbitt. If the closure of one or more ALCs would happen, would that -- how would that affect your previous recommendations

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1 room -- oops, I got my note.

LIEUTENANT GENERAL BABBITT: Does that mean I don't have to answer? We had proposed \$21 million as a prudent risk long before there was any offer made by the Air Force for excess capacity at the five ALCs if none were closed. And we still feel that's a prudent rise, and we still feel that that's a lean forward approach that DLA should make.

There is the possibility that inventory requirements will go down even further than we've been able to estimate now. And therefore we would still feel there's a possibility we will never require that additional space.

COMMISSIONER STEELE: Okay, thank you. And I wish you look in your new post as you replace our shadow.

LIEUTENANT GENERAL BABBITT: Thank you.

COMMISSIONER CORNELLA: We do have to have a little humor once in a while.

COMMISSIONER STEELE: Very little.

COMMISSIONER CORNELLA: Even in this process. I just have two quick questions and then we'll be finished. Mr. Gotbaum, you had said in answer to Commissioner Kling's question about -- he gave you -- about the scenario involving 50, 500 million dollars to close and 150 annual savings, you

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1 in regard to DLA activities. Would some of those recommendations have to be changed? Or would there be sufficient capacity to pick up whatever would come out of those ALCs?

LIEUTENANT GENERAL BABBITT: First of all, Mr. Commissioner, it depends on other recommendations in part, that the commission may recommend. And say, for example, you had considered the alternatives of Letterkenny and Tobyhanna Army Depots and also Red River Army Depot in your discussions so far. And whatever decisions you might recommend there would also affect our capacity and requirement for storage.

But, because I don't know the answer to that, I'll qualify my answer and say if you assume that only the four depots that DLA originally recommended for closure are going to be closed, then we proposed a 21 million cubic foot shortfall as a risk. And we honestly felt that it was a good possibility that that shortfall would disappear by 2001 and therefore would never have to be replaced.

We still feel that we can manage that risk, and we have tried to be reasonable about that by saying how would we manage that, and we have a list of a number of alternatives, which exceed by quite a bit the 21 million cubic feet, that

<p style="text-align: right;">Page 325</p> <p>1 we would use to manage the risk if the need came about. 2 That shortfall represented about 5 percent of our 3 expected capacity in 2001, and we thought it was prudent. 4 That 21 million shortfall has now changed to 10 because of 5 some fact-of-life changes, which I could itemize for you. We 6 have already presented those to the Commission in written 7 form. But I'd say those are fact-of-life changes, 8 information that has changed since we submitted our report. 9 If the Commission were to recommend no closures of 10 ALCs, we would certainly have more than enough capacity at 11 the ALCs, the five ALCs, excess to handle any shortfall that 12 might eventually happen. If you closed one ALC, it's our 13 assessment that we would still have sufficient risk 14 management capability to not change our recommendation at 15 all. 16 If, on the other hand, you close two ALCs, we would 17 still propose to manage 15 to 20 million cubic feet of risk. 18 And that would leave probably somewhere in the neighborhood 19 of 18 to 20 million cubic feet that should probably be 20 considered reestablishment through some other means. 21 COMMISSIONER CORNELLA: So if an ALC was closed, 22 the depot at that site would also be closed, the DLA depot?</p>	<p style="text-align: right;">Page 328</p> <p>1 LIEUTENANT GENERAL BABBITT: I'll be happy to do 2 that. 3 COMMISSIONER MONTOYA: Thank you very much. 4 COMMISSIONER CORNELLA: We have now concluded the 5 29th and final public hearing of the 1995 base closure 6 commission. And I want to say, and I want you to carry this 7 back to all the branches of service, to other members of the 8 Department of Defense, any installation commanders you may 9 come across, that we thank you for your hospitality, your 10 cooperation, your openness through this process, and your 11 patience with us, as we struggle to find the truth and to 12 arrive at a decision. 13 I want to thank all the witnesses that have 14 appeared before us today. The information you've brought us 15 has been extremely valuable, and I mean that, Mr. Gotbaum. 16 And we will take your remarks into very serious 17 consideration. 18 We will next meet in this room on Thursday, June 19 22, to begin our final deliberations. This hearing has 20 ended. 21 (Whereupon, at 3:55 p.m., the hearing was 22 concluded.)</p>
<p style="text-align: right;">Page 326</p> <p>1 LIEUTENANT GENERAL BABBITT: Our position on what 2 we have called collocated depots is, there purpose for being 3 there is to support the maintenance depot. And therefore, if 4 the maintenance depot were to close, we would also close the 5 associated distribution depot. 6 COMMISSIONER CORNELLA: Before we close, I would 7 just like to return to Mr. Gotbaum, because I think he has 8 one more thing he wants to say. 9 MR. GOTBAUM: Actually, sir, it's a request. This 10 Commission and this staff has been absolutely terrific in 11 making clear what the Commission's concerns are and asking 12 the Department for information. And I hope we have been as 13 forthcoming in providing it. 14 COMMISSIONER CORNELLA: You have. 15 MR. GOTBAUM: It's clear from your questions and 16 clear from your concerns that you're considering a lot of 17 mixing and matching. And I would offer and ask that, as you 18 consider the alternatives, we would obviously like to, both 19 because we know something about this and because there is 20 military judgment and other things involved, help in that 21 process, participate in the process anytime. I can assert 22 with absolute confidence that we have a 24-hour-a-day</p>	
<p style="text-align: right;">Page 327</p> <p>1 operation. 2 COMMISSIONER CORNELLA: I appreciate your patience 3 with this chairman, as I've asked you the questions today. I 4 know it's been a long and arduous process for us. I know 5 we've had -- we just went nonstop for the last few months. 6 So if there was any shortness, I apologize for that. 7 MR. GOTBAUM: Sir, all I can promise you is that, 8 if I could substitute you for any of several committee 9 chairmen in Congress who I am not dumb enough to name, I'd do 10 it in a second. Thank you, sir. 11 COMMISSIONER CORNELLA: Before we read the closing 12 statement, I would turn to Commissioner Montoya for just a 13 comment. 14 COMMISSIONER MONTOYA: General, I failed to mention 15 one thing. As a courtesy to two flag officers, a retired 16 flag officer, a supply corps friend of mine has written me a 17 rather contentious letter with lots of supply corps language. 18 I don't understand the letter yet. And I also got a very 19 fine, eloquent rebuttal from another supply corps flag 20 officer, which I also don't understand. But would you please 21 tell Admiral Straw that I have is response, and I will do my 22 homework, and I will understand it before this is over.</p>	



1 MR. FINCH: Absolutely, General Davis, and we
2 certainly support that and will help you in any ways that we
3 can.

4 COMMISSIONER DAVIS: Thank you, Mr. Finch. I
5 appreciate your time and that of the witnesses, and we'll
6 close this portion. I'll turn it over to Commissioner Kling
7 for the next portion.

8 COMMISSIONER KLING: Next we will hear testimony
9 from the Medical Joint Cross Service Group, and we are
10 privileged to have with us Dr. Edward D. Martin, welcome
11 Doctor, Principal Deputy Assistant Secretary of Defense for
12 Health Affairs, who headed the group.

13 We will begin Commissioners' questions as soon as I
14 have sworn in Dr. Martin and any other backup witnesses. Are
15 there any Doctor?

16 DR. MARTIN: There will be one.

17 COMMISSIONER KLING: Well, if there is, would you
18 all please rise, whoever is joining you? Perhaps that
19 gentleman would care to sit right forward here. And your
20 name is, sir?

21 DR. PONATOSKI: Edward R. Ponatoski.

22 COMMISSIONER KLING: Edward R. -- we'll just call

1 you Edward R., I guess. Would you gentlemen please rise and
2 raise your right hand?

3 (Panel sworn.)

4 COMMISSIONER KLING: Thank you. Dr. Martin, in
5 this day of excess hospital beds throughout the country and
6 all the mergers and consolidations that are taking place in
7 the private sector, which are, of course, in order to
8 economize and consolidate special cares, I do not understand
9 or we don't understand why more was not done to reduce our
10 hospital structure in the military services, realizing, of
11 course, the need to provide superior medical services, the
12 need for additional beds in time of multiple engagements and
13 the costs associated with CHAMPUS and so forth.

14 And many of the questions I will ask, kind of, go
15 to this general point. So let me begin with the first
16 question, which I'm sure you're, kind of, anticipating, and
17 that has to do with the San Antonio area.

18 And if I could specifically, we have Chart Number
19 1, which chose the San Antonio, Texas, area, and we can see
20 from this chart that it is home to two large medical centers
21 and a large number of civilian hospitals.

22 This appears to be an example of an opportunity to

1 eliminate as substantial portion of excess capacity and
2 indeed the Air Force facility Wilford Hall was on the Joint
3 Service Group list of realignment alternatives, yet neither
4 facility is on the Department of Defense list.

5 Would you mind commenting, Doctor, on why this is
6 so?

7 DR. MARTIN: Yes, sir, Mr. Chairman. I'd like to
8 preface it with commenting on your observation about
9 consolidation, because I think it's very important.

10 When our joint work group undertook the
11 identification of alternatives for infrastructure reduction,
12 there had already been a very sizeable activity that we had
13 accomplished, and in that regards were quite different than
14 other parts of the other joint working groups.

15 In the case of medical, we actually have the
16 responsibility for managing the Defense Health program. We
17 have the money. So for example, the Army, Navy, Air Force
18 budgets for health care delivery, essentially, are managed
19 directly by the health affairs -- the Defense Health program
20 in the Office of the Secretary of Defense.

21 So we've had much more aggressive opportunity in
22 the past to make changes in reducing excess capacity.

1 Specifically, we closed 35 percent of our hospitals. We've
2 already reduced the number of expanded beds by almost 48
3 percent.

4 That becomes important that where our requirements
5 are a little bit different than other requirement for
6 infrastructure. While the active duty force, in fact, has
7 come down by 30 percent since 1988, the beneficiary
8 population we're responsible for has only come down by 90
9 percent.

10 So relative to the numbers of people that we serve
11 or continue to serve through the end of year 2000, there has
12 been a dramatic reduction in the number of beds available
13 within our system in CONUS and worldwide.

14 Specifically, in that context, looking at the
15 recommendation as an alternative that we posited to the Air
16 Force -- and it's not the first time there has been a
17 question about Wilford Hall and Brooke, as you well know,
18 essentially what you have is a situation where you have a
19 major Air Force medical center, in fact, the major medical
20 center for the Air Force in a very heavy Air Force populated
21 area with large numbers of active duty, dependents of active
22 duty.

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1 You also have, essentially, a brand new facility,
2 state-of-the-art facility that's been built for the Army in
3 that community. If an action had been taken, we would have
4 wanted to see Wilford Hall, as the much older facility,
5 reduced considerably, and that would only work if Brooke Army
6 Medical Center then could have become, essentially, the Air
7 Force medical center there.

8 We met with both the Air Force and the Army, and
9 the real crucial issue is duplication. And as we have done
10 or seen in many communities across the country, essentially,
11 it was decided that we needed about 130 to 150 percent of the
12 beds that we had, and the much smarter way of consolidating
13 our capability was to dramatically change how we did work at
14 both facilities.

15 In fact, as of last week, based on this exercise,
16 all the graduate medical education at the two major medical
17 centers, which makes them the unique centers in that area,
18 will be consolidated, completely integrated and, in fact,
19 ultimately integrated with University of Texas at San
20 Antonio. So one of the great drivers for duplication will be
21 gone.

22 The second set of changes or what other facilities

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1 or other hospitals are doing that you know very well, and
2 that will be the consolidation of duplicate services. For
3 example, we intend to do no more obstetrics and neonatal
4 intensive care at Brooke.

5 We will take that capacity and probably expand our
6 capability at Darnell, which is a very large dependent of
7 active duty population needs augmentation, and essentially
8 systematically move through the services as we've done in the
9 national capitol region where we also have two major medical
10 centers within the same distance, essentially, that used to
11 be duplicated, as these two are.

12 We've been able to accomplish consolidation of all
13 the residences here or plan by 1997 and, essentially, the
14 reduction of all duplicate services.

15 This was what the Army and the Air Force felt was
16 the appropriate way to "right-size" or reduce excess and
17 duplicative capacity, and I think the plan is, in fact,
18 superior, particularly given the unique roles those two
19 facilities serve in trauma training and a major role they
20 serve in San Antonio for trauma care, which is an important
21 part of our training.

22 So we feel that the alternative proposed

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1 effectively accomplished the intent of the Joint Working
2 Group.

3 COMMISSIONER KLING: I guess we could look and say,
4 though, in San Antonio, as a total, there quite an excess bit
5 of hospital bed, correct, private and -- if you added the
6 private and military?

7 DR. MARTIN: I would have to defer to a local
8 planning activity for that determination.

9 COMMISSIONER KLING: If there is that excess
10 capacity in the private sector, and if one of these hospitals
11 is only one half needed, would it have not made sense to
12 continue on with your recommendation a little faster and
13 stronger, say, to close -- to make a clinic operation out of
14 Wilford Hall and go forward in that manner?

15 DR. MARTIN: Well, the right time to address that
16 issue, very candidly, was before we built Brooke Army Medical
17 Center. I mean, if you had asked my opinion prior to
18 building a \$400 million brand new facility at San Antonio,
19 whether, in fact, we should -- like the Army is doing now in
20 other places, purchase that capability from excess
21 infrastructure in the private sector, I would have said that
22 sounds like a much better idea, particularly for level 2

1 beds.

2 It's also important to point out that except for
3 UTSA and at least one of the private hospitals, the type of
4 facilities that we are concerned about obtaining our services
5 are very specialized, and, in fact, the only other hospital
6 that duplicates is a medical center is UTSA.

7 We're talking about very sophisticated procedures.
8 Probably the world class burn center in the entire world is
9 run at Brooke, liver transplants done at Wilford Hall. So
10 we're talking about just not simply square feet. We're
11 talking about the quality of the respective facilities.

12 I think that our philosophy, as we are looking to
13 the future, is, in fact, reflected in our MILCON budget. We
14 are building no more large hospitals in our FYDP, and, in
15 fact, we are looking at places where we need augmentation of
16 beds to the private sector to the extent even of renting
17 wards or parts of hospitals to carry that out.

18 I think we made the correct judgment in regards to
19 the two existing facilities, particularly given their very
20 unique training responsibilities for both the Army but
21 especially for the Air Force.

22 This is the major training facility for

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1 subspecialty surgery for the United States Air Force, and
2 that's not simply beds and wards. That's an entire
3 installation capability.

4 COMMISSIONER KLING: To just not belabor the issue,
5 and I'm going to get on with it --

6 DR. MARTIN: Yes, sir.

7 COMMISSIONER KLING: -- just one last question on
8 that subject. Is it not possible, however, to close Wilford
9 Hall and everything that is being taken place there, move it
10 to Brooks or get from the private sector?

11 DR. MARTIN: I think our current assessment this
12 time that is not the appropriate programmatic judgment.
13 Maybe it's my bias as a physician, but we, sort of, like to
14 scaffold much better than the meat cleaver, and we think the
15 proposal we've come forward to is the correct one given the
16 military medical training requirements, given the major
17 effort taken by the two services. I think we stand by our
18 current recommendation.

19 COMMISSIONER KLING: However, again, to what you're
20 stating, however, though, it was your recommendation to make
21 Wilford Hall into a clinic, as opposed to --

22 DR. MARTIN: No. Our list was a bit different.

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1 We, essentially, put forward to the three services
2 alternatives for consideration, and, in fact, we had not
3 assessed military value directly in regards to installations.
4 And so our process allowed for, then, specific discussion of
5 the alternatives proposed, some of which the services
6 accepted, some of which we found better alternatives in the
7 process for the three services. So I think the Department's
8 current recommendation is the correct one.

9 COMMISSIONER KLING: Thank you. Our staffers have
10 viewed what might be considered overlapping areas throughout
11 the country where we have a number of small hospital
12 clusters, I might say, within a 50- to 100 mile radius.

13 In fact, I believe there are 56 hospitals that are
14 smaller than 50 beds, not that that's the important thing
15 here, but one would think that there would be prime
16 candidates within these clusters for mergers and
17 consolidations, and I refer to such areas, as we're passing
18 out and that are up here, these circles would be like the
19 area of Fort Sill, which has 100 beds, where there is also
20 Tinker Air Force Base with 25 beds, Altus seven beds,
21 Sheppard with 80 beds and also, then, we have a lot -- we
22 have a number of the maps of the different areas showing

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1 around Beale, Travis and Mather where there are two small
2 hospitals -- and I'm sure I'm not telling you anything you
3 don't know -- where you have Travis having 195 beds.

4 And of course, I guess we might add that here in
5 the D.C. area we have a similar situation that I think we
6 won't get into right now.

7 As I understand, maybe through the budget process
8 you're considering some realignment or clustering and the
9 merger, consolidation of these areas, and if so, would you
10 please describe what you intend to do and where and what time
11 period this might be done and why you've decided to do it
12 through the budget process as opposed to BRAC?

13 DR. MARTIN: The central tenant of that is the new
14 program that, essentially, we're standing up called Tricare.
15 As the Committee is aware or the Commission is aware, we've
16 recently adopted a new HMO type approach, very heavy
17 privatization, dependence on the private sector, and the
18 program expects that those contracts will be fully
19 implemented by the end of FY '97.

20 And it's comparable to what HCA or Humana or Kaiser
21 or those kind of companies do. What you basically do is
22 assess your product lines. You make judgments about where in

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1 fact -- that you should make the services provide them or you
2 should buy the services.

3 What we're seeing is a fairly significant change in
4 the character of how we deliver the care within our
5 facilities. For example, the Air Force has stopped doing
6 emergency services in 11 hospitals, closed 17 others.

7 The Navy is in the final process of making judgment
8 about downsizing five hospitals to clinics. We've cut out
9 obstetric services in the last year to three Air Force
10 hospitals. A fourth almost certainly we will approve and cut
11 it out, as a matter of fact, as Maxwell.

12 So we have a process, and essentially, what the
13 process is driven by is the population we take care of, the
14 alternatives of buying that care, unique mission
15 considerations, 30- 50-mile access of emergency rooms and
16 other kind of capabilities.

17 So we feel that since we're almost always in the
18 Air Force and mostly in the Navy, essentially, tenant-
19 sponsored. I mean, we're a part of a bigger organization.

20 We, actually, are downsizing many of those
21 facilities in the face of large base activities. The good
22 example on our list is the Air Force Academy, which we will

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1 see being right-sized downward with Carson, I think, assuming
2 much more of a responsibility.

3 In fact, I think you'll see that with Wilford Hall
4 and Brooke. The process that we feel as much better to carry
5 that out is along product lines, like obstetrics, like
6 surgery, like emergency, and indeed, I think, including and
7 especially the national capitol region where we think we
8 ought to close the hospitals we're closing.

9 Where we turn them into clinics, we turn them into
10 clinics. Where we stop doing services in those facilities --
11 like obstetrics at Walter Reed we are going to stop doing --
12 it makes good sense in regards to the patients, where they
13 are and what their requirements are.

14 We found this process has resulted in a very
15 substantial reduction of our beds, redistribution of our
16 people, particularly between military and civilian, and
17 frankly, we feel it's a lot more sensitive way or appropriate
18 way to deal with the health care facilities, particularly
19 given the very strong feeling on the part of our
20 beneficiaries, particularly active duty dependents, about
21 that particular service.

22 When the close a base, the one thing we hear about

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1 very quickly is the pharmacy and the hospital, probably more
2 quickly. And I think how we do that becomes very, very
3 important. I think we've learned a lot of BRAC I through
4 III, and I think the way we're doing it now is the correct
5 way to do it.

6 COMMISSIONER KLING: Last question from me on just
7 this same subject. Could we just take an example such as the
8 Beale, Travis and Mather where you happen to have -- within
9 40 miles you have a nine-bed hospital with 30 that was up
10 here and a 195-bed hospital? Specifically what do you intend
11 to do there and when and how?

12 DR. MARTIN: The nine-bed hospital, essentially, is
13 becoming a dispensary. I mean, it's, essentially, a super
14 clinic with an ability to hold people overnight so you keep
15 them with their family or on the base.

16 You move to not providing lab, X ray, pharmacy,
17 blood bank at night. So it, essentially, becomes analogous
18 to a dispensary. So it really isn't a hospital. We call it
19 a hospital, but it really isn't.

20 And then, essentially, what you do is, for the 30-
21 bed hospital, you just use it for more routine kinds of
22 missions where you want to keep particularly dependents on

1 base near families.

2 It's a lot like they're doing in large cities,
3 which is, essentially, leaving a surprising amount of the
4 capital investment there but dramatically changes how they
5 use those facilities.

6 The crucial thing is the access is reasonable, but
7 at the same time you don't have duplicative specialty care.
8 I mean, what you do not want in our system is competitive
9 departments of surgery in your 30- and 100-bed example you
10 just used. That would be unacceptable.

11 COMMISSIONER KLING: But sometime, as you went
12 around, you didn't see this happening yet? Is this happening
13 now?

14 DR. MARTIN: Oh, yes, sir. The example I used in
15 the Air Force, 17 closures, 11 emergency rooms closed, 4
16 obstetric departments closed.

17 COMMISSIONER KLING: Has that been done
18 specifically in just these three we were just talking
19 about -- Mather, Beale and Travis?

20 DR. MARTIN: In the nine-bed, both emergency,
21 obstetrics are gone, and I think we're moving from a JCHO
22 accredited hospital to, essentially, what we call a super

1 clinic with still the capability like we'll keep at the
2 academy.

3 I mean, you need the ability to admit people
4 overnight, to have some capability to see them, because
5 they're mission-related, and you want to try to keep them on
6 the base with the dependents.

7 At the same time, you don't duplicate any specialty
8 services, and that's the crucial duplication. You can see
9 from the numbers I gave you, with a 9 percent decrease in the
10 beneficial population that our normal beds are down by 43
11 percent. I mean, we've seen a pretty dramatic reduction.

12 COMMISSIONER KLING: I'm sure one of the other
13 Commissioners will go through a chart that we have showing
14 the beds and so forth, but I'll turn it over to Commissioner
15 Cornella.

16 COMMISSIONER CORNELLA: Thank you, Mr. Chairman.
17 Dr. Martin, the Commission has been receiving many letters
18 from people worried about their access to health care
19 services if their military hospital closes.

20 Most of these letters come from retirees, many of
21 whom are over age 65 and no longer eligible for CHAMPUS.
22 Beyond their worries with access, many of these letters talk

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1 in very heartfelt terms about promises of lifetime medical
2 care that will be broken with the closure of a hospital.

3 Would you please tell us who is entitled to care in
4 DoD medical facilities?

5 DR. MARTIN: Well, I can tell you both statutorily
6 and in the basis of the genesis of your letters. In
7 regardless to Title X, the statute, essentially, all the care
8 that is, in fact, available to retirees over the age of 65 is
9 space available care; said differently, if you can get into a
10 military facility.

11 For those CHAMPUS-eligible dependents of active
12 duty and retirees, if they cannot get space-available care,
13 which is the statutory provision, they have the right to use
14 CHAMPUS, which is, essentially, a program that we manage on
15 their behalf.

16 Now, that's the statutory framework. It's also
17 absolutely correct that the clear preponderance of people who
18 served in the late '40s to now, when they reenlisted and in
19 their enlisted documents -- we've got any number of documents
20 that have been sent into is -- they have been promised a
21 lifetime of free medical care.

22 I mean, it was right -- and as a matter of fact,

1 the latest brochure I saw was published in 1989 by the United
2 States Army. So if you were a retired sergeant, you would
3 vividly recollect being told among the reasons why you ought
4 to join up for another four to six years is this, this, this,
5 and this.

6 And very high on that list, and as you got older,
7 higher and higher on that list, was this idea of free medical
8 care. So I think the dilemma that we face is there is an
9 absolute fact that the Congress has had to face in regards to
10 the benefits like the pharmacy benefit and other kinds of
11 unique problems in BRAC areas is that there is a very good
12 case that could be made that these individuals were told
13 something.

14 In fact, it was not in the statute. They did not
15 have an inalienable right to that, but it didn't change their
16 feeling when it was taken away. What we've tried to do is
17 adapt fairly aggressively to trying to create something in
18 those communities where we do close hospitals, which, as I
19 pointed out, are not inconsiderable in number, some mechanism
20 by which care can be provided to those retirees which at
21 least is reasonable but certainly not free and certainly not
22 in a military treatment facility.

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1 COMMISSIONER CORNELLA: Would you please describe
2 what you see as the impact of closures and realignments on
3 the users of closed or realigned hospitals as well as any DoD
4 or service programs that will be put in place to mitigate the
5 impacts on these people?

6 DR. MARTIN: Well, our current hope is that we
7 will, essentially, be able to create both in the areas where
8 we have hospitals and in areas where we used to have
9 hospitals the equivalent of an HMO option, sort of like a
10 Kaiser option where they can have a primary care manager,
11 where they have the same scope of benefits, where they have
12 very low cost shares, where, if they were Medicare eligible
13 and not CHAMPUS eligible, hopefully we're working with HHS so
14 that any penalties for Part B can be waived.

15 Congress has provided a mechanism by which we can
16 provide mail order pharmacy to Medicare eligibles in their
17 area. Our intention is to first -- the most important
18 categories statutorily are active duty, dependents of active
19 duty, and by the way, some numbers of those stay.

20 In fact, some numbers of those individuals are in
21 areas where we have no hospitals. We have been working to --
22 recruiters are the classic example of that, of course.

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1 We've been working to make sure that what they have
2 access to is no more expensive, as accessible as our military
3 treatment facilities if they lived close by, and to the
4 extent that can with retiree populations at least to stand up
5 alternatives that are, while cost-effective, provide the
6 access and quality of those kind of services with not a
7 significant out-of-pocket cost.

8 Remembering that when you go to a military
9 treatment facility it's, essentially, free, the cost
10 differences, particularly when you get into Medicare, the
11 average out-of-pocket cost for a Medicare individual is over
12 \$3,000.

13 And to go from going to, for the want of an
14 example, Carswell where it was zero when you got admitted to
15 all of a sudden on the average being 3,000 requires quite a
16 bit of work on our part to create alternatives that are
17 reasonable. That's quite a sizeable change in the impact on
18 that population. There is no question about it.

19 COMMISSIONER CORNELLA: Well, Commissioner Kling
20 and I were in Denver on Friday, and I can assure you we met
21 up close and personal many concerned people, Commissioner
22 Kling even more so.

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1 At many times I wish a lot of you folks were at
2 some of these base visits so we could introduce you and
3 explain your part in the process.

4 DR. MARTIN: Actually, this is my fourth year at
5 base closures, and I would submit that possibly except for
6 the Chairman I have spent a very large amount of time with
7 retiree groups and other groups who were very uncomfortable
8 and unhappy about what I think is the driving force behind
9 BRAC, and that is the DoD infrastructure is going down.

10 We are not planning to fight Russia in a land war,
11 and we don't need this infrastructure anymore. So it's a
12 tough process we're going through. I think the Department is
13 trying very hard to live up to the commitment we believe
14 we've made to those retirees as best as we can.

15 COMMISSIONER CORNELLA: Well, I think we try to
16 make that explanation when we're in the community, and I'd
17 like to say I think we do a fairly good job of that. In
18 Denver, for example -- well --

19 COMMISSIONER KLING: Go ahead.

20 COMMISSIONER CORNELLA: Yeah. I'd like to ask one
21 more question. In Denver, there are an amazing amount of
22 tenants on that installation, that hospital, not related

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1 necessarily to medical service. Did those tenants come under
2 any consideration in the determination to close Fitzsimmons?

3 DR. MARTIN: Yes, sir.

4 COMMISSIONER CORNELLA: Okay. That's all I have.

5 Thank you, Mr. Chairman.

6 COMMISSIONER KLING: Commissioner Cox, please.

7 COMMISSIONER COX: Thank you. I wonder if we could
8 bring up Chart 2. Dr. Martin, this chart shows a current
9 inventory at -- not that one. Thanks -- current inventory of
10 military hospitals and hospital beds in the United States
11 which was taken from the Joint Cross Services lineal
12 programming model data set.

13 In your view, does the Department need all of these
14 hospitals and beds, and how many staffed and operating
15 military hospital beds does the Department need to meet just
16 the peacetime requirements?

17 DR. MARTIN: As the GAO very and, I think, very
18 succinctly pointed out, there is considerable difference of
19 opinion about what are our requirements depending on how you
20 define what those requirements are.

21 The current 2 MRC scenario, the bottoms-up review,
22 is going to require us to have about 10,000 beds just to meet

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1 that requirement. If you add onto that requirement taking
2 care of the active duty, Reserve Guard and their dependents
3 who are still going to be seeking care from us, that number
4 is now above 15,000.

5 If you then say that you are going to continue your
6 training programs, which are the basis for both the
7 retention, recruitment and retention of particularly
8 specialty physicians, you get very close to the 15,000 or
9 16,000 beds.

10 Now, the way that you have a lower requirement is
11 relatively simple, and I think it goes to Commissioner
12 Cornella's point is that if we all of a sudden decided that
13 we're not going to take care of any retirees or no Medicare
14 retirees or if we go to war we're not going to take care of
15 the dependents of the soldiers who are deployed, then you
16 need less beds.

17 The Department's feeling about that, as reflected
18 in the last couple times that we've been put in that
19 position, Southwest Asia being the biggest, is that, in fact,
20 the expectation is, A, we take care of casualties; B, we take
21 care of families; and C, we continue to take care of as many
22 of the retirees as we can relative to our hospital structure.

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1 In that case, our available beds inventory, which
2 like I've said, is about half of what it used to be, is sized
3 to requirement. The debate gets into only do active duty or
4 only do casualties, then, of course, you need less beds.

5 That policy decision is not yet made, and I think
6 the GAO covered that pretty well in their summary, that there
7 is a lot of difference in those projections.

8 For example, the 2 MRC estimate is based on us
9 needing a total of 10,000 beds. The Commander-in-Chief's in
10 Korea public estimate and a land-based war over there is as
11 high as 100,000 casualties.

12 Well, as you know, we're not going to get 100,000
13 casualties into 10,000 beds. So there is a lot of divergence
14 in what those requirement are.

15 Our current estimate is we need somewhere between
16 9- and 11,000 to meet the purely military requirements, and
17 the rest take care of families and other active duty
18 personnel, and available beds are pretty close to our current
19 requirement.

20 COMMISSIONER COX: You talk about the policy on
21 dependents, et cetera. It sounds like it's under review, or
22 did I just --

1 DR. MARTIN: I think the policy on moving certain
2 populations of people outside of our facilities has been
3 under review for years. There have been proposals by the
4 CDO, by certain individuals, by some commissions which come
5 to mind to say, basically, just stop doing that.

6 COMMISSIONER COX: Do you expect a decision along
7 those lines, if it's going --

8 DR. MARTIN: I don't believe Congress has any
9 intention of telling three or four hundred thousand veterans
10 of WW II and Korea that we're not going to get care in our
11 hospitals anymore. I just don't think that's going to
12 happen.

13 COMMISSIONER COX: Are the Veterans Affairs Medical
14 Center beds counted as the wartime or peacetime requirements?

15 DR. MARTIN: No. There are two types of our
16 requirements that we do count. Number one is that for all
17 those casualties which we believe we cannot get back on
18 active duty within 60 days, they're rapidly triaged or moved
19 to the Veterans Administration Hospital.

20 So that is net of this number, but we also net out
21 the requirement. The other requirement we take out is we
22 have dependents on the Veterans Administration addition for

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1 those beds, which are in the thousands for very specialized
2 kind of beds like spinal cord injuries.

3 They have a network of extremely good capabilities
4 in prosthetics, spinal cord injuries where our assumption is
5 if that's the best place to send our people, we will plan on
6 sending them to those places, and that's a part of our plan.

7 COMMISSIONER COX: How about civilian beds in
8 hospitals enrolled in the National Disaster Medical System?
9 Are they counted?

10 DR. MARTIN: When we required -- I was in the
11 Public Health Service when NDMS was put together. When we
12 required 100,000 beds, we depended very heavily on that
13 system to provide those beds. A, fortunately, we never had
14 to use it, but B, now the current expectation is that the
15 military and the VA system can handle the expected casualties
16 from at least the current anticipated MRCs.

17 COMMISSIONER COX: I'm sorry. So we don't need
18 those that are --

19 DR. MARTIN: We don't plan on using those beds as
20 we did in the '80s. The reason we did in the '80s, very
21 civilly, is we needed 60,000 more beds that we had.

22 We anticipated a 100,000 bed requirement if we went

1 to war with Russia on the European land continent, and we had
2 30,000. The VA would probably free up 10- or 12,000
3 additional.

4 We just were way short, and the only way to make up
5 those beds in case of that kind of catastrophe was to develop
6 contingency arrangements with private hospitals, which we've
7 had to discharge many of their patients.

8 COMMISSIONER COX: Those contingencies are still in
9 place?

10 DR. MARTIN: Those contingencies began to fade away
11 when the probability of going to war with Russia faded away.
12 When you don't need 100,000 beds, you don't have that
13 particular --

14 COMMISSIONER COX: But you still have contingency
15 plans in place?

16 DR. MARTIN: Right now, NDMS stands up -- we're
17 going to particularly need NDMS for specialized kind of
18 surgery. Modern warfare, bluntly spoke, creates sort of
19 targeted groups of casualties, for example, ophthalmologic
20 injuries, particular kind of neurosurgical insults.

21 There is no question that we're going to have to
22 depend in a lot of different ways on those particular

1 facilities to help us out in those specialized areas, but
2 just general beds we feel we've got the capacity to take care
3 of our own.

4 COMMISSIONER COX: Thank you.

5 COMMISSIONER KLING: Thank you. General Davis,
6 Commissioner Davis.

7 COMMISSIONER DAVIS: Thank you, Mr. Chairman. Of
8 course, I have lots of concerns in this particular area.
9 Being one of the three retirees up here, I can understand
10 that, but there is one thing that you said that is very
11 striking. Medical care is certainly an implied contract.
12 Would you agree with that, Dr. Martin?

13 DR. MARTIN: Yes, sir.

14 COMMISSIONER DAVIS: It's been an implied contract
15 for a long time. It's getting less implied as we go along,
16 and when you recruit these young folks to come out and be
17 soldiers, sailors, airmen and Marine Corps folks, you, sort
18 of -- you go up to them, and if you were a commercial
19 corporation, you'd have a hell of a time saying, "Well, I
20 maybe can promise you a 20-year career, which at least twice
21 during that career I'm going to send you away from your
22 family a year at a time, and oh, by the way, you might even

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1 get shot at, and I can't guarantee your medical benefits,"
2 we're going to have a hell of a time doing any recruiting in
3 the future.

4 So what you're doing is a very important process.
5 I would like to take whatever time I have available and go
6 back to this two major regional conflicts and estimation of
7 medical requirement in the process.

8 Now, I'll need your help here a little bit. The
9 basic philosophy is to wherever we have these major regional
10 conflicts is to triage the folks as close to the front line
11 as possible, move them back to a next staging level, and when
12 they stabilize we bring them back to the United States.

13 Two major regional conflicts is kind of a squishy
14 number, I suspect, depending on where you do your planning.
15 Do you have planning factors that allow you to figure the
16 maximum amount of casualties you're going to have and how
17 you're going to depose those as opposed -- as you deal with
18 regional areas?

19 DR. MARTIN: I think there was a study done called
20 the 733 study, which, basically, assumed -- you always have a
21 series of assumptions, conservative, optimistic, the
22 magnitude, the forces you're going to be deployed against and

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1 then other considerations that you can factor in like chem
2 and bio, I mean, which are a part of it.

3 So there is a requirements process developed by the
4 Joint Staff which, basically, models what the expectations
5 are for casualty requirement, casualty handling and
6 requirement.

7 The 9- to 10,000 number I was talking about is one
8 that was developed by the Rand Corporation under contract to
9 DoD working, essentially, with the three services, Joint
10 Staff and us to come up with a set of ranges for what the
11 casualties might be.

12 Now, there are people who disagree with that.
13 There are those who believe that we're going to have, sort
14 of, a bloodless technologic war where, like, Southwest Asia,
15 we don't have large numbers of casualties.

16 Another group of people, occurring the CINC in
17 Korea, believes that is a bit optimistic and indeed would say
18 we would have more casualties. I would say the 733 study is
19 a pretty good number to work around.

20 I mean, one of the reasons we use 733 is that we
21 knew no matter what we did we didn't want to drop below that
22 requirement. I mean, if we've got a number of 10,000 or

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1 9,000 beds that we need we know, we certainly didn't want to
2 say our requirements were less than that.

3 So I think there are at least -- the policy process
4 at the point we are now is pretty reasonable estimates. We
5 haven't estimated other things, for example.

6 We've got a hospital in Zagreb. We're providing a
7 major amount of care in Guantanamo right now. None of that
8 is factored in. So these missions other than the two MRCs
9 and/or other contingencies aren't built in.

10 But I think the estimating of 10,000 plus or minus
11 2,000 is a reasonable planning base for making our
12 assessment, and currently I think the services pretty much
13 agree that our system is able to meet the requirement.

14 COMMISSIONER DAVIS: But when you talk about two
15 MRCs or two MRCs, I wouldn't consider Zagreb or Guantanamo in
16 that criteria. Have you looked at some of our recent
17 conflicts, regional conflicts called the Korean War and the
18 Vietnam War and factored that into the process.

19 DR. MARTIN: Actually, the Korean War and the
20 Vietnam War were critical parts of the planning
21 considerations. Also important to point out, and this is
22 something that I'm sure you're aware of, of course, that many

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1 aren't, that a very substantial proportion of our
2 requirements are disease, not-battle related.

3 I mean, a substantial proportion, some 60 percent
4 to two-thirds of the people actually in beds are not ones
5 that actually suffered wounds in combat. I mean, it's the
6 risk of the theater which hospitals large numbers of people,
7 and that was factored in as well. But yes, we used the
8 Vietnam War and the Korean War as a part of the estimated
9 technique, or Rand did.

10 COMMISSIONER DAVIS: And I know General Luck very
11 well, and he's not known to exaggerate. My concern, as a
12 member of this Commission, is that we retain sufficient bed
13 capacity to handling the casualties we'll receive in the 2
14 MRC.

15 DR. MARTIN: That was very much a concern of our
16 work group.

17 COMMISSIONER DAVIS: Mr. Chairman, I yield back the
18 rest of my time.

19 COMMISSIONER KLING: Mr. Chairman, are you
20 prepared?

21 CHAIRMAN DIXON: Yes. Thank you, Mr. Chairman.
22 Dr. Martin, first of all, let me, kind of, summarize your

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1 testimony. I get the impression that just, basically, you're
2 saying to us that you made a 45 percent reduction largely out
3 of the BRAC process. You're fairly satisfied with the
4 progress you've made so far. Would that be substantially
5 correct?

6 DR. MARTIN: And we think that the way we're doing
7 this is the correct way, yes, sir.

8 CHAIRMAN DIXON: Okay. And do I understand that --
9 my general impression of your testimony is that you doubt, in
10 the circumstances, that there is any particular surplus bed
11 availability in our hospital system for our veterans, for the
12 service people, retirees and so forth. Is that, roughly,
13 your testimony?

14 DR. MARTIN: Yes, sir, except I think, as
15 Commissioner Kling pointed out, that changes over time. As
16 you change how you do care, your bed requirements continue to
17 go down, and I think you're going to see a continued decrease
18 in our hospital bed requirements just like you do in the
19 private sector.

20 CHAIRMAN DIXON: Well, I would ask, though, in the
21 present peacetime situation, which is a, roughly, normalized
22 situation, I would say, at least in my historical experience

1 in my lifetime in public service, would you say that you
2 don't have any particular surplus amount of beds around? Is
3 that your testimony?

4 DR. MARTIN: Yes, sir. I think currently our
5 available beds are roughly equivalent to our requirements.

6 CHAIRMAN DIXON: Now, let me just ask you a couple
7 of questions here. I have no reason to argue with that.
8 This is a fairly sensitive topic, and there isn't anybody up
9 here who wants to do away with the possibility of the need
10 for beds for our service people.

11 Do we have that particular chart that I'm looking
12 at right here? No, no, no. That isn't the one I want to
13 see. This is the one I wanted to see. I just wanted to,
14 kind of, ask about that a little.

15 I just want to get a, kind of, reading from you,
16 Dr. Martin. I've been doodling on that. Will it be all
17 right? No, no. I wanted to see that -- you can't do that
18 one?

19 Well, I'm looking at a list here. I can't really
20 compare it too well with that one. They're telling me it's
21 the same list. But anyway, here it says, "Noble Army
22 Community Hospital, Fort McClellan Alabama realigned to

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1 clinic, concur." That was done? Is that on there?

2 DR. MARTIN: Yes, sir.

3 CHAIRMAN DIXON: Okay. Then it says, "Lyster Army
4 Community Hospital, Fort Rucker Alabama, realigned to clinic,
5 none concur." Are you all getting those lists there? Is
6 that what you're getting there now?

7 See that? There is 1, 2, 3, 4, 5, 6, 7, 8, 9, 10,
8 11, 12, 13, 14, 15 -- there is 16 different ones on there.
9 Do you see that, Dr. Martin?

10 DR. MARTIN: Yes, sir.

11 CHAIRMAN DIXON: And it shows certain concurrences,
12 and then will say from time to time, "none concur." I see
13 that once, twice, three times, four times -- at least seven
14 times you can arguably say nine.

15 So I'll just ask you for the purposes of staff, are
16 you satisfied with the places where these things show a none
17 concurrence with the original recommendations?

18 DR. MARTIN: Yes, sir.

19 CHAIRMAN DIXON: You don't have any quarrel with
20 that?

21 DR. MARTIN: No, sir.

22 CHAIRMAN DIXON: Okay. Now, I just want to ask you

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1 one last thing because it confused me a little, and I won't
2 pursue the matter further.

3 A little thing you said kind of confused me a
4 little. I'd, sort of, like to revisit it, Dr. Martin. My
5 colleague, Commissioner Kling, in his capacity as chairman,
6 asked you about the use of priority facilities and so forth,
7 and I thought you said that had some appeal to me before we
8 spent 400 million or whatever the number was doing the state-
9 of-the-art hospital we have at Brooks. Did you say that?

10 DR. MARTIN: Yes, sir. We had two 50-year-old plus
11 hospitals. And so when Brooks was built, if we had the
12 wisdom of retrospection, I think one of the -- in fact, less
13 put it more to the point.

14 If a service now proposed another hospital like
15 Brook to replace an aging plant, we would first look in the
16 community to find out whether there was space that we could
17 rent or utilize.

18 CHAIRMAN DIXON: Sure.

19 DR. MARTIN: And, in fact, we've already done that
20 in a couple of circumstances, worked together with the VA so
21 we're not building "duplicating" level 3 beds.

22 CHAIRMAN DIXON: But the only part I wondered about

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1 was now that you built Brooks, which you describe as state-
2 of-the-art.

3 DR. MARTIN: Right.

4 CHAIRMAN DIXON: And you said that had you not done
5 that you might have had adequate facilities available in the
6 private institutions around town. I'm wondering why it
7 wouldn't follow, then, if that's the case, that you could
8 close Wilford Hall now. I don't quite follow that logic.

9 You had sufficient extra private units around. You
10 built Brooks, and so now you have an additional 367 beds
11 state-of-the-art, but I still need Wilford Hall. I don't
12 quite understand that.

13 DR. MARTIN: First, Wilford Hall has been, in part,
14 renovated. I mean, for example, it's got laminar flow
15 technology for autologous bone marrow transplants that is
16 second to none in San Antonio. So that there is within the
17 Wilford Hall facility very significant and modern capability.

18 CHAIRMAN DIXON: And you're suggesting that's not
19 transferable to the other units?

20 DR. MARTIN: Well, it's actually cheaper for us to
21 retain the facility we've got. I think there is a different
22 question. Are we going to spend \$400 million to build a new

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1 facility? Well, there is a good one, Fitz.

2 I mean, we were ominously close to spending almost
3 \$400 million building a new Fitzsimmons. Congress had a very
4 keen interest in that, if I recollect. Even if we needed a
5 hospital there, which we didn't, our preference would have
6 been very much to rent facilities.

7 But really, there is no logic in renting a facility
8 if you already own one. So I think the point is do you build
9 new beds, as opposed to close old beds which are already on a
10 base, and it's on Lackland. So it makes sense to keep the
11 facility we've got.

12 Now, if the Air Force came in -- let's just take
13 your question exactly right. If the Air Force came in now
14 and said the Wilford Hall facility no longer can meet life
15 safety codes, we need to build a 300-bed facility, our
16 position would be I think we need to look at alternatives
17 either with the Veterans Administration or downtown, because
18 we do not believe we need 300 more built bids in San Antonio.

19 But I think there is two different questions. That
20 is different than saying should we close the 300-plus beds
21 we've got now in the right place that the taxpayers have
22 already paid for.

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1 COMMISSIONER KLING: Let me just jump in there with
2 just one point.

3 DR. MARTIN: Yes, sir.

4 COMMISSIONER KLING: I still can't understand. Are
5 you saying that just because we have it up and we paid for it
6 we should continue it, or is it really necessary in the
7 facilities that Wilford Hall cannot be replaced at Brooks, or
8 you take the bone marrow -- is that not available in San
9 Antonio at any other private hospital, could have a
10 specialized area?

11 DR. MARTIN: I understand, Mr. Chairman. The
12 crucial thing is that once we decided how many beds we
13 needed, which was more than we would just have at Brooks,
14 then, essentially, the question is what is itself most
15 effective way of getting those beds.

16 If you currently have a facility that can provide
17 that capability and has been modernized as Wilford Hall has
18 and as on Lackland, as it is, that makes about business
19 sense.

20 If, on the other hand, let's say that in order to
21 have those 300 beds on Lackland you'd have to build a new
22 hospital, I think that's a new question altogether.

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1 The question that we were asked is, first of all,
2 the model says look at this as an alternative. We looked at
3 it very carefully with the Air Force, and the big reason it
4 came up, as you've pointed out in your questions, is there
5 was a great deal of duplication.

6 We felt the answer was to get rid of the
7 duplication and change the roles of the two hospitals very
8 much like a lot of communities do.

9 A lot of communities have three or four hospitals.
10 What they do is realign what the hospitals do. That's what
11 we did in response to the concern about duplication.

12 COMMISSIONER KLING: Thank you. Commissioner
13 Montoya.

14 COMMISSIONER MONTTOYA: I just have one question.
15 Please educate me on your use of the word "clinic" in the
16 context in which you've been talking about, downsizing non-
17 BRAC process, how the word "clinic" and "hospital" relate to
18 each other vis-a-vis "beds; i.e., if you go from a hospital
19 to a clinic, do the beds disappear by the nature of service
20 you provide?

21 And the second piece of that is how do the services
22 use that definition? Is there consistency as they apply

1 those two words? So that later on, if we're doing further
2 analysis, I'll have in my mind those relative terms and what
3 they mean.

4 DR. MARTIN: Let me answer your second question
5 first. In fact, the services, particularly around important
6 facilities, sometimes use terminology that is not correct.

7 For example, Womack Army Medical Center -- Army
8 Medical Hospital is clearly, to us, a hospital. It is at
9 Fort Bragg. It is also the home of the 18 Airborne Corps,
10 and therefore it is the Womack Army Medical Center.

11 There are examples. However, it doesn't have any
12 graduate training or the like. So not unlike communities
13 across the country, sometimes you want to say "hospital" or
14 "medical center" and it, sort of, has a different kind of
15 meaning.

16 The definitions that we use are at least consistent
17 relative to how we engage with this Commission. To us,
18 medical centers are ones with subspecialty graduate medical
19 education consistent with institutions of higher learning,
20 universities.

21 In other words, they have residences in surgery or
22 orthopedics or neurosurgery. They would be comparable to a

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1 Georgetown or a University of Texas San Antonio. Those are
2 medical centers -- major teaching institutions, major
3 subspecialty capabilities.

4 Hospitals, not unlike in the private sector, range
5 between a very large number of beds, 400 or 500 beds or, in
6 wartime even as high as 1,000 beds down to some very small
7 facilities.

8 Generally, the private sector doesn't like to call
9 facilities with less than 25 or 20 beds a hospital, but in a
10 lot of little communities not unlike some places where we've
11 got Air Force bases, you've got 8-, 10-, 12-bed "hospitals."

12 The usually thing for us is that hospitals have to
13 offer a range of services and accreditation by the Joint
14 Commission. They have to have lab, X ray, pharmacy, blood
15 bank, maintain a 24-hour capability, an anesthesiologist on
16 call, you know, the capability to admit an acutely or
17 critically ill patient and handle that patient within the
18 facility overnight.

19 Many of our smaller hospitals are holding --
20 essentially holding hospitals where, essentially, you've got
21 less than that particular set of requirements of the hospital
22 and if, in fact, somebody is very sick, you immediately

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1 transfer them to another facility with that capability.

2 More and more we have found that particularly in
3 had isolated areas it is a good idea no longer to maintain
4 the emergency rooms, the overnight blood bank those
5 activities.

6 And so what we've, essentially, graduated into are,
7 essentially, large clinics which meet the basic requirements
8 with holding capabilities for patients who could be admitted
9 overnight.

10 A great example of that would be where you've got
11 people in training, young people, and you can't really send
12 them back to the barrack, but you don't want to admit them
13 downtown, so you put them in a holding facility.

14 The word "super clinic" we've provided in
15 definition to your staff where actually you've got an
16 extremely large clinic where you do subspecialty ambulatory
17 surgery and the like.

18 So I think what you are seeing is a continuum of
19 those kind of capabilities that goes back to what do you
20 really need to do that is smart make or buy in those
21 facilities, and it's very much like is going on in the
22 private sector.

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1 I mean, a lot of towns 20 miles apart used to build
2 two hospitals. Neither can afford them anymore. So they
3 figured out ways to at least maintain certain kind of
4 capabilities, and most of the big hospital chains now are
5 doing away with all the duplication but trying to keep the
6 geographic access by keeping the facility where they can.

7 And I think we're, basically, modeling our efforts
8 after that. So, essentially, you have big, true training
9 programs down to what could be a 4 to 6 bed holding facility,
10 but very frankly, if you had a very sick patient, you'd
11 transport them quickly to a much larger facility.

12 COMMISSIONER MONTTOYA: The chart we were looking at
13 says, "Hospitals, 20,000 beds." Are there clinics -- are
14 there beds there that are clinics? That really is hospitals?

15 DR. MARTIN: Yes, sir. Under the available bed --
16 the critical number there is the 15,608. In the available
17 beds, are there probably several hundred but not a
18 significant number who are in the 6- or 8- or ten-bed, but
19 there are not a large number.

20 COMMISSIONER MONTTOYA: Okay.

21 DR. MARTIN: If you look at Wilford Hall has got
22 1,000 of them. I mean, that did where our real beds are.

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1 COMMISSIONER MONTOYA: And the services pretty much
2 conform to your definition that I just heard?

3 DR. MARTIN: Yes, sir, at least in our process
4 relative to this Commission. Now, sometimes the title
5 outside reflects a local pride in that facility that may be
6 different.

7 COMMISSIONER MONTOYA: I'm talking about services
8 that delivered fundamental --

9 DR. MARTIN: Oh, absolutely. Yes, sir.

10 COMMISSIONER MONTOYA: Okay. Thank you. That's
11 all.

12 COMMISSIONER ROBLES: To quote a famous American,
13 Yogi Berra, this is deja vu all over again. In three
14 previous incarnations, when I was force structure and budget
15 work in DESOPS, when I was the O&M Director and was the
16 budget director, this was one of the most emotional issues
17 that I ever tackled and got bloodied many times literally.

18 So I won't plow this ground all over again, but I
19 have one question. At that time what was real driving us,
20 the requirement has always been whatever requirements --
21 whatever assumptions you want to take, and that will always
22 be because you want a safe side where you don't error on

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1 saving lives or treating patients.

2 But the issue is cost. At a time when inflation
3 was running 3, 4, 5 percent in general inflation, medical
4 inflation was double digit. And then along came a threat of
5 a national health care bill.

6 And in the private sector I can vouch that our own
7 experience in the company that I watch closely, its health
8 care costs have come way down. So my question is the
9 following:

10 And oh, by the way, we've been trying to manage
11 health care in DoD for a long time. So the question is, and
12 this is your professional judgment, one, now that we're
13 seemingly going to get medical costs, inflation more under
14 control and the things like telemedicine and other things
15 offer some real opportunities, do you really believe we're
16 going to be able to, one, have a managed health care system in
17 the Department of Defense that addresses the pseudo
18 entitlement issue that has been around forever, and two, are
19 you making real progress in getting an efficient medical
20 model in the Department of Defense?

21 DR. MARTIN: Yes, sir. Beginning with the efforts
22 in the late '80s, which you remember, CRI, CAMS, plus

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1 Dr. Mendez' efforts in the early '90s where he put together
2 the Coordinated Care plan, I think the Department has a very
3 clear plan -- Congress has now blessed it -- that I think
4 takes a great deal of the lessons from the private sector,
5 implements them with our system and very heavily is depending
6 more and more.

7 I mean, we have prime vendor, dropping shipping.
8 We are not interested in doing things the private sector can
9 do better. We process no claims. We are getting out of the
10 depot business relative to DLA and these big warehouses full
11 of medical gear. We just get them directly from the vendors.

12 So a lot of those smart things we are doing. I
13 think the big change was the formation of the Defense Health
14 Program. One all the money was put in one place, another
15 famous American quotes the golden rule. You know, the people
16 that have the gold sometimes make the rules.

17 And I think that's had a very positive effect on
18 pulling things together. There has also been, sort of, a
19 survival mentality relative to making the MHHS work.

20 It's been under siege, as you well are aware. I
21 think the best way to measure it is with a reasonable
22 comparison with the private sector. In the 733 study, other

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1 than the demand phenomena, where if you had very low prices,
2 large numbers of people not getting care from us may swamp
3 us, our current costs compared to the private sector is
4 somewhere between 12 and 14 percent less than what we buy the
5 same good for downtown. And that has to do with salaries and
6 other kinds of efficiencies, malpractice insurance.

7 More importantly, if you look at the FITA, our
8 budget for the next six years, if we had the inflation factor
9 which is accepted now in the private sector, health care in
10 DoD would cost 17 billion more dollars than our current plan.

11 We're running about 1 and a half to 2 percent less
12 than the private sector annually in inflation. Now, if you
13 remember the late '80s, we were twice in CHAMPUS. So,
14 basically, we went from 12s and 15s and 18 percent per year
15 increase in CHAMPUS to now less than a 3 percent increase per
16 year, which compares favorably to the national 5.

17 The other thing is as things in the private sector
18 change that also improves our costs because, essentially,
19 we're able to purchase things better.

20 I think we've got a very good plan. It's working.
21 I think the three services are working to make it work, and I
22 think we've got a rural quality HMO that is able to go to

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1 war, and that's what our job is.

2 COMMISSIONER ROBLES: Well, I thank you. And I
3 thought I'd never say this, but the fact of the matter is in
4 my last job on active duty, my hospital, Irwin Army Community
5 Hospital, was using your approach running a catchment area
6 and letting the -- determine, the hospital commander, what is
7 the best approach to use was, in fact, working beautifully,
8 and it is a model.

9 So I commend you, and I think that's a great step
10 forward. I really never thought I'd say that, but
11 congratulations.

12 DR. MARTIN: I thought I'd never hear it. Thank
13 you.

14 COMMISSIONER KLING: Commissioner Steele.

15 COMMISSIONER STEELE: I'd love to quote another
16 American -- we're on a roll here -- but I think I'll pass on
17 that. It's probably a rare moment in BRAC history, but due
18 to our chairman's leadership in the health care issue, I
19 think I'm actually going to yield all of my time to the
20 Chairman and refrain from questions. So just take note.
21 I've done it once. It's all yours.

22 COMMISSIONER KLING: Well, we did this at the right

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1 time with two minutes to go. So if I may just one question.
2 We noticed at Fitzsimmons this was brought up that when
3 medical care is not available directly from a military
4 hospital in a location and a person is over 65 and now would
5 have to go and enroll in Medicare B, I think Part B --

6 DR. MARTIN: Yes, sir.

7 COMMISSIONER KLING: -- that every year that goes
8 by that they have not enrolled they will pay a penalty of 10
9 percent, what's the intention to do -- is there any intention
10 to pay for those penalties?

11 DR. MARTIN: We've actually got a legislative
12 proposal that we have been working with Health and Human
13 Services to attempt to either waive or forgive in all of our
14 BRAC areas individuals who are in that circumstance.

15 The argument is that indeed they anticipated they
16 would not need Part B, and so they made now -- and all of a
17 sudden we took away the hospital. We've estimated that the
18 cost to either HHS, if they waive it, or to us, if we paid
19 it, we're talking \$10- or \$12- \$14 million over a three-year
20 period of time.

21 So it's not a large amount of money relative to the
22 very substantial savings derived in those places where we do

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1 BRAC closures. Our position is that we need to find a way to
2 make sure that all of our future retirees get Part B, that
3 where they have made judgments that, in retrospect were in
4 error, we should find a way either ourselves or through
5 congressional action to get it waived.

6 COMMISSIONER KLING: So you are addressing that?

7 DR. MARTIN: Yes, sir.

8 COMMISSIONER KLING: Thank you. Well, let me just
9 ask the last one. Will you be able, on short notice, to
10 gather appropriate data from the services if we need same?

11 DR. MARTIN: I think my answer would be comparable
12 to Mr. Finch's. We will give you every effort to everything
13 we can. I think we've got a large amount of the information
14 that we need to be responsive to the Commission.

15 COMMISSIONER KLING: Very good. Well, I certainly
16 thank you, and you've certainly done an excellent job of aiding
17 your assistants there at your table to answer every question
18 by yourself. So we're proud of you.

19 DR. MARTIN: Thank you, sir.

20 COMMISSIONER KLING: And we thank you, by the way,
21 very much, and with that the Medical Service Group is now
22 complete.

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